

ORIGINAL

-Application

Tennova

LaFollette

Health & Rehab

CN1505-021

CERTIFICATE OF NEED APPLICATION

FOR

TENNOVA LAFOLLETTE HEALTH & REHAB CENTER

Renovation of Skilled Nursing Facility

Campbell County, Tennessee

May 15, 2015

Contact Person:

**Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247**

SECTION A:**APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

Tennova LaFollette Health & Rehab Center
Name

200 Torrey Road
Street or Route

LaFollette
City

TN
State

Campbell
County
 37766
Zip Code

2. Contact Person Available for Responses to Questions

Jerry W. Taylor
Name

Burr & Forman, LLP
Company Name

501 Union Street, Suite 2300
Street or Route

Attorney
Association with Owner

Attorney
Title

jtaylor@burr.com
Email address

Nashville TN 37219
City State Zip Code
 615-724-3247 615-724-3347
Phone Number Fax Number

3. Owner of the Facility, Agency or Institution

Campbell County HMA, LLC
Name

923 E. Central Avenue
Street or Route

LaFollette
City

TN
State

423-907-1200
Phone Number
 Campbell
County
 37766
Zip Code

4. Type of Ownership of Control (Check One)

- | | | |
|---------------------------------|-------------------------------|---|
| A. Sole Proprietorship | F. Government (State of TN or | |
| B. Partnership | G. Political Subdivision) | |
| C. Limited Partnership | H. Joint Venture | |
| D. Corporation (For Profit) | I. Limited Liability Company | X |
| E. Corporation (Not-for-Profit) | Other (Specify)_____ | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
 REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

B. Option to Purchase

C. Lease of 10 Years

X

D. Option to Lease

E. Other (Specify) _____

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of the Lease is attached as Attachment A, 6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify)

B. Ambulatory Surgical
Treatment Center (ASTC),
Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential
Treatment Facility

H. Mental Retardation
Institutional Habilitation
Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone
Facility

O. Birthing Center

P. Other Outpatient Facility
(Specify) _____

Q. Other (Specify) _____

X

8. **Purpose of Review** (*Check*) as appropriate--more than one response may apply)

- | | | | |
|-----------------------------------|---|--------------------------------------|-------|
| A. New Institution | | G. Change in Bed Complement | |
| B. Replacement/Existing Facility | | [Please note the type of change by | |
| C. Modification/Existing Facility | X | <u>underlining the appropriate</u> | |
| D. Initiation of Health Care | | <u>response: Increase, Decrease,</u> | |
| Service as defined in TCA § | | <u>Designation, Distribution,</u> | |
| 68-11-1607(4) | | <u>Conversion, Relocation]</u> | |
| (Specify) _____ | | H. Change of Location | _____ |
| E. Discontinuance of OB Services | | I. Other (Specify) _____ | _____ |
| F. Acquisition of Equipment | | | |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9.

Bed Complement Data*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds</u> <u>Licensed</u>	<u>*CON</u>	<u>Staffed</u> <u>Beds</u>	<u>Beds</u> <u>Proposed</u>	<u>TOTAL</u> <u>Beds at</u> <u>Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	98	_____	98	_____	98
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	98	_____	98	_____	98

10. **Medicare Provider Number:** 445115
Certification Type: Nursing Facility
11. **Medicaid Provider Number:** Level I: 7440116 Level II: 0445115
Certification Type: Nursing Facility
12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

N/A. This is a licensed facility certified for Medicare and Medicaid.
13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**
AmeriGroup, BlueCare, UnitedHealthcare Community Plan, TennCare Select

Will this project involve the treatment of TennCare participants?

Tennova LaFollette Health & Rehab participates in TennCare. This project will have no direct impact on the treatment of TennCare patients.

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Tennova LaFollette contracts with AmeriGroup, BlueCare, and UnitedHealthcare Community Plan

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

N/A

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Project Description

The project will entail the renovation of approximately 26,350 square feet of space of the 35,317 square foot facility. The Health & Rehab Center renovation project is primarily cosmetic in nature. However, one of the facility's largest nurses' stations will be divided into two smaller stations in an effort to enhance direct observation of resident rooms. New flooring, paint and furnishings will be upgraded throughout the facility. The Activities and Rehab departments will be expanded. The front entrance, solarium and hallways will become more aesthetically pleasing.

Services & Equipment

This project involves no change in the services currently provided by Tennova LaFollette Heath and Rehab Center. The facility provides both Level I and II skilled nursing services. This project involves no major medical equipment, and involves primarily new furnishings and IT equipment.

Ownership Structure

The owner is Campbell County HMA, LLC. It is a wholly owned, indirect subsidiary of Community Health Systems, Inc.

Service Area

The service area is Campbell County, Tennessee. Approximately 92% of the facility's admissions are residents of Campbell County.

Need

This project involves no increase in capacity, additional beds, or change in services. The need for the cosmetic renovation is based on the age of the current facility and its furnishings. The cosmetic renovation is needed in order for Tennova LaFollette Heath and Rehab Center to provide the highest level of comfort and an aesthetically pleasing environment for its patients,

and in order to remain competitive in the market.

Existing Resources

There are two other nursing facilities in the service area. This project is for the benefit of Tennova LaFollette Health and Rehab Center and its patients, and it will have no negative impact on other existing providers.

Project Cost & Funding

The total estimated project cost, exclusive of filing fees, is \$3,195,000. It will be funded through cash reserves to be allocated through the parent company, an appropriate subsidiary of Community Health Systems, Inc.

Financial Feasibility

The project is financially feasible. Funding is readily available, and the Projected Data Chart reflects a strong positive NOI in Year 1 and thereafter.

Staffing

This project will require no additional staffing or change in the current staffing pattern.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

If the project involves none of the above, describe the development of the proposal.

The project will entail the renovation of approximately 26,350 square feet of space of the 35,317 square foot facility. The Health & Rehab Center renovation project is primarily cosmetic in nature. However, one of the facility's largest nurses' stations will be divided into two smaller stations in an effort to enhance direct observation of resident rooms. New flooring, paint and furnishings will be upgraded throughout the facility. The Activities and Rehab departments will be expanded. The front entrance, solarium and

hallways will become more esthetically pleasing.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

N/A.

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

N/A.

- 1. Adult Psychiatric Services**
- 2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
- 3. Birthing Center**
- 4. Burn Units**
- 5. Cardiac Catheterization Services**
- 6. Child and Adolescent Psychiatric Services**
- 7. Extracorporeal Lithotripsy**
- 8. Home Health Services**
- 9. Hospice Services**
- 10. Residential Hospice**
- 11. ICF/MR Services**
- 12. Long-term Care Services**
- 13. Magnetic Resonance Imaging (MRI)**
- 14. Mental Health Residential Treatment**
- 15. Neonatal Intensive Care Unit**
- 16. Non-Residential Methadone Treatment Centers**
- 17. Open Heart Surgery**
- 18. Positron Emission Tomography**
- 19. Radiation Therapy/Linear Accelerator**
- 20. Rehabilitation Services**
- 21. Swing Beds**

- D. Describe the need to change location or replace an existing facility.**

N/A.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

N/A.

- 1. For fixed-site major medical equipment (not replacing existing equipment):**
 - a. Describe the new equipment, including:**
 - 1. Total cost ;(As defined by Agency Rule).**
 - 2. Expected useful life;**
 - 3. List of clinical applications to be provided; and**

4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

a. List all sites that will be served;

b. Provide current and/or proposed schedule of operations;

c. Provide the lease or contract cost.

d. Provide the fair market value of the equipment; and

e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);

2. Location of structure on the site; and

3. Location of the proposed construction.

4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

A plot plan is attached as Attachment B, III, (A).

(B)

1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

There is no public transportation system in the area. However, the hospital is located on East Central Avenue in LaFollette, and is easily accessible to patients.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

A floor plan is attached as Attachment B, IV. The portions of the building to be renovated are shaded on the floor plan.

- V. For a Home Health Agency or Hospice, identify:**

N/A.

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2” x 11” white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

I. NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.

Five Principles for Achieving Better Health from the Tennessee State Health Plan:

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This is a policy statement to which no response is necessary.

2. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

This project represents cosmetic renovations to the nursing facility, and will have no impact on access to health care. It will make the environment for the patients more comfortable and aesthetically pleasing.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The cosmetic renovations to the nursing facility should make it a more appealing option for patients, allowing the facility to be more competitive in the market.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

Tennova LaFollette Health & Rehab Center is in good standing with all licensing and regulatory authorities and will remain so. This cosmetic renovation will provide for a more comfortable and pleasing environment for the staff and the patients, enhancing the quality of care even more.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

Tennova LaFollette Health & Rehab Center maintains compliance with all rules and regulations regarding staffing levels and will continue to do so. This project will have no impact on the staffing pattern at the facility.

- a. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

**CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF
HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

N/A.

2. For relocation or replacement of an existing licensed health care institution:

N/A.

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

N/A.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

N/A.

3. For renovation or expansions of an existing licensed health care institution:

a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

N/A. This project represents only cosmetic renovations to an existing facility. It involves no expansion, increase in capacity or change in services.

h. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

N/A. This project represents only cosmetic renovations to an existing facility. It involves neither major renovation nor expansion. The need for the cosmetic renovation can only be fully appreciated by viewing the facility. Its finishes are outdated and are wearing out. It has not been updated in many years.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

N/A.

- 2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

The only long term plan is to continue operating the facility to provide high quality long term care for its patients. This cosmetic renovation project will facilitate that long term goal.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

The service area is Campbell County. Approximately 92% of the facility's admissions in 2013 were residents of Campbell County.

A map of the service area is attached as Attachment C, I, Need, 3.

- 4. A. Describe the demographics of the population to be served by this proposal.**

A table reflecting the population and relevant demographic characteristics of the service area is attached as Attachment C, I, Need, 4.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The following are relevant demographic characteristics of the service area population:

The service area population has a greater percentage of elderly (age 65+) residents than does the state as a whole. (18.7% vs. 15.5%).

The service area population has a greater percentage of TennCare enrollees than does the state as a whole. (30.9% vs. 21.2%).

The service area population has a greater percentage of residents living below the poverty level than does the state as a whole. (23.8% vs. 17.6%).

The median age of the service area population is 42 years vs. the state wide median age of 38 years.

LaFollette Health and Rehab Center contributes to addressing these special needs by making long term care beds available to the service area population, and by participating in the Medicare and TennCare programs.

5. **Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

This project involves only cosmetic renovations to an existing nursing facility. It involves no expansion, increase in capacity, new beds, or any change in services. It will have no negative impact on other existing providers, but instead will allow Tennova LaFollette Health& Rehab Center to remain competitive in the market.

A table reflecting baseline utilization of nursing facilities in the service area is attached as Attachment C, I, Need, 5.

6. **Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

Historical Utilization (per JAR)

Patient Days	<u>2011</u>	<u>2012</u>	<u>2013</u>
	33,397	34,137	31,136

Projected Utilization

Patient Days	<u>Year 1</u>	<u>Year 2</u>
	31,654	31,971

The overall decline in utilization 2011-2013 is due in part to the declining aesthetic appeal of the facility to patients and families. Following the renovation, the improved condition of the facility will make it more attractive. The projected utilization growth of less than 2% between 2013 and Year 1 of the project represents reasonably conservative growth.

II. ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- **All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
- **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

A completed Project Cost Chart is attached following this page.

A letter from the architect is attached as Attachment C, II, Economic Feasibility, 1.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees		\$	204,743.00
2. Legal, Administrative, Consultant Fees			\$62,351
3. Acquisition of Site			
4. Preparation of Site			
5. Construction Costs		\$	2,383,663.00
6. Contingency Fund		\$	162,145.00
7. Fixed Equipment (Not included in Construction Contract)			
8. Moveable Equipment (List all equipment over \$50,000.00)			
9. Other (Specify)	Non-medical equipment & furnishings	\$	224,500.00
	Abatement	\$	85,000.00

B. Acquisition by gift donation, or lease:

1. Facility (Inclusive of building and land)	
2. Building Only	
3. Land Only	
4. Equipment (Specify)	
5. Other (Specify)	

C. Financing Costs and Fees:

1. Interim Financing		
2. Underwriting Costs		
3. Reserve for One Year's Debt Service		
4. Other (Specify)	Capital Interest (CIP Account)	\$ 72,598.00

D. Estimated Project Cost (A+B+C)	\$	3,195,000.00
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E. CON Filing Fee	\$	7,188.75
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F. Total Estimated Project Cost (D & E)	\$	3,202,188.75
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TOTAL	\$	3,202,188.75
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2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. *(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)*

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- A funding letter from an authorized representative is attached as Attachment C, II, Economic Feasibility, 2.
- ☐ F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The only significant costs of this project are the construction costs and related contingency. These costs are reasonable as attested to by the architect.

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

The Health and Rehab Center operates financially as a department of the hospital, Tennova LaFollette HealthCare. It is not a separate profit center, and separate financial records of the Health and Rehab Center are not maintained. Accordingly the Historical Data Chart is for the combined operations of the hospital and the health and rehab center. The Historical Data Chart is attached following this page.

A Projected Data Chart for the Health and Rehab Center only is attached following this page.

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2012	Year: 2013	Year: 2014
A. Utilization/Occupancy Data	2,359 Adm.	2,586 Adm.	2,416 Adm.
B. Revenue from Services to Patients			
1. Inpatient Services	\$50,801,155.00	\$64,614,690.00	68585717
2. Outpatient Services	\$181,833,261.00	\$167,394,260.00	\$169,161,849.00
3. Emergency Services			
4. Other Operating Revenue	\$175,961.00	\$140,165.00	\$148,430.00
Specify: rental income, etc.			
Gross Operating Revenue	\$232,810,377.00	\$232,149,115.00	\$237,895,996.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$162,062,146.00	\$170,272,016.00	\$177,344,720.00
2. Provision for Charity Care			
3. Provision for Bad Debt	\$6,449,325.00	\$5,215,629.00	\$6,710,067.00
Total Deductions	\$168,511,471.00	\$175,487,645.00	\$184,054,787.00
NET OPERATING REVENUE	\$64,298,906.00	\$56,661,470.00	\$53,841,209.00
D. Operating Expenses			
1. Salaries and Wages	\$14,713,218.00	\$14,263,599.00	\$14,021,991.00
2. Physicians' Salaries and Wages			
3. Supplies	\$15,214,172.00	\$12,600,913.00	\$13,099,986.00
4. Taxes	\$588,378.93	\$553,777.30	\$551,740.27
5. Depreciation	\$4,020,203.00	\$4,401,153.00	\$4,085,725.00
6. Rent	\$1,041,434.00	\$1,000,469.00	\$650,482.00
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates	\$10,632,434.00	\$3,380,664.00	\$1,401,537.00
b. Fees to Non-Affiliates			
9. Other Expenses	\$12,480,266.07	\$13,038,486.70	\$12,515,815.73
Specify: benefits, profees, outside svcs, maint, etc.			
Total Operating Expenses	\$48,057,672.00	\$45,858,398.00	\$44,925,740.00
E. Other Revenue (Expenses)--Net			
Specify:			
NET OPERATING INCOME (LOSS)	\$16,241,234.00	\$10,803,072.00	\$8,915,469.00
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
NET OPERATING INCOME (LOSS)	\$16,241,234.00	\$10,803,072.00	\$8,915,469.00
LESS CAPITAL EXPENDITURES	\$0.00	\$0.00	\$0.00
NOI LESS CAPITAL EXPENDITURES	\$16,241,234.00	\$10,803,072.00	\$8,915,469.00

PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in _____.

	Year 1	Year 2
A. Utilization/Occupancy Data (Specify unit of measure).	31,654	31,971
B. Revenue from Services to Patients		
1. Inpatient Services	9,719,249	\$ 9,816,441.00
2. Outpatient Services	\$	\$
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify) _____	\$	\$
Gross Operating Revenue	\$ 9,719,249.00	\$ 9,816,441.00
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 2,975,800.00	\$ 3,005,558.00
2. Provisions for Charity Care	\$	\$
3. Provisions for Bad Debt	\$ 202,303.00	\$
Total Deductions	\$ 3,178,103.00	\$ 3,005,558.00
NET OPERATING REVENUE	\$ 6,541,146.00	\$ 6,810,883.00
D. Operating Expenses		
1. Salaries and Wages	\$ 2,979,551.00	\$ 3,009,347.00
2. Physicians' Salaries and Wages		
3. Supplies	\$ 650,651.00	\$ 657,158.00
4. Taxes		
5. Depreciation		
6. Rent	\$ 6,803.00	\$ 6,803.00
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 53,498.00	\$ 53,619.00
Specify: purchased services, maintenance, etc.		
Total Operating Expenses	\$ 3,690,503.00	\$ 3,726,927.00
E. Other Revenue (Expenses)--Net		
Specify: _____		
NET OPERATING INCOME (LOSS)	\$ 2,850,643.00	\$ 3,083,956.00
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ 2,850,643.00	\$ 3,083,956.00
LESS CAPITAL EXPENDITURES	\$ -	\$ -
NOI LESS CAPITAL EXPENDITURES	\$ 2,850,643.00	\$ 3,083,956.00

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Average Gross Charge: \$307.05 per day
Average Deduction: \$100.40 per day
Average Net Charge: \$206.65 per day

- 6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

A listing of the RUG Rates for Tennova LaFollette Health & Rehab Center effective 10-1-14 is attached as Attachment C, II, Economic Feasibility 6. This project will have no effect on these rates or on patient charges.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The following is the average daily charge for each nursing home in the service area according to data reporting in the 2013 Joint Annual Reports:

Beech Tree Manor:	\$180.43
Cumberland Village	\$218.92
Tennova LaFollette	\$229.41

- 7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

As reflected on the Projected Data Chart, the projected utilization rates result in a positive NOI in Year.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

Tennova LaFollette Health and Rehab Center is already financially viable. And as reflected on the Projected Data Chart, the facility will likewise be financially viable following implementation of the project.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

The applicant participates in both Medicare and TennCare. The projected payor mix and anticipated net revenues in Year 1 from each program are reflected below:

Medicare (incl. HMO):	59%	\$3,859,276
TennCare	19%	\$1,242,818

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

The owner, a subsidiary of Community Health Systems, Inc. does not maintain separate financials. A copy of the Consolidated Income Statement and Balance Sheet is attached as Attachment C, II, Economic Feasibility 10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**

- a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The only option to the cosmetic renovation was to do nothing. This option was rejected as not being in the best interest of the facility and the patients.

- b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

This modernization project is an alternative to new construction, and is the superior alternative.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

- Morrison – Foodservice Vendor
- HHS – Environmental Services Vendor
- Innovative Pathologists – Pathology Vendor
- Abercrombie – Radiology Vendor
- Healogics – Wound Care Vendor

2. **Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

This is a cosmetic renovation project. It is for the benefit of Tennova LaFollette Health and Rehab Center and its patients. It involves no expansion of services, capacity or beds. The only indirect impact it may have on the market as a whole is to help the facility remain a competitive provider.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

This project will not change the staffing pattern. The current staffing and wages are reflected below:

<u>Position</u>	<u>FTE</u>	<u>Avg. Wage</u>	<u>Median, DL&WD</u>
CNA	38	\$9.75	\$10.65
LPN	16.25	\$14.95	Not listed

RN 4.6 \$28.95 \$26.50

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Tennova LaFollette Health & Rehab Center maintains compliance with all applicable standards regarding staffing and will continue to do so. No additional staffing is called for by this project.

- 5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The management and administration understands and maintains compliance with all applicable regulations and standards and will continue to do so.

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

Tennova LaFollette Health & Rehab Center participates in student training programs with the following institutions:

- Lincoln Memorial University
- South College
- Appalachian College of Pharmacy
- Tennessee Center for Applied Technology
- University of Tennessee
- Kaplan University
- Mercer University
- Anderson County Schools
- King College
- Roane State Community College
- Southeast Kentucky Community & Technology College
- Tennessee State
- Virginia College
- Creighton University
- Brenau University

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

The applicant so verifies.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health, Board for Licensing Health Care Facilities

Accreditation: N/A.

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Tennova LaFollette Health & Rehab Center is in good standing with all licensing and certification agencies.

A copy of the license is attached as Attachment C, III, Orderly Development, 7.

8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

A copy is attached as Attachment C, III, Orderly Development, 8.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

None

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

None

11. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If the proposal is approved, the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The Publication of Intent was published in the Knoxville News Sentinel on May 10, 2015. A Publisher's Affidavit has been requested and will be provided when it is received.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached following this page.

- 2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.**

N/A.

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):
August 2015

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

PHASE	DAYS REQUIRED	ANTICIPATED DATE (Month/Year)
1. Architectural and engineering contract signed	-	January 8, 2015
2. Construction documents approved by the Tennessee Department of Health	-	August 2015
3. Construction contract signed	-	August 2015
4. Building permit secured	30	September 2015
5. Site preparation completed	N/A	N/A
6. Building construction commenced	30	September 2015
7. Construction 40% complete	120	December 2015
8. Construction 80% complete	240	April 2016
9. Construction 100% complete (approved for occupancy)	270	May 2016
10. *Issuance of license	N/A	N/A
11. *Initiation of service	N/A	N/A
12. Final Architectural Certification of Payment	300	June 2016
13. Final Project Report Form (HF0055)	390	September 2016

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

List of Attachments

Tennova LaFollette Health & Rehab Center

Organizational documentation	<u>Attachment A, 4</u>
Lease	<u>Attachment A, 6</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
Map of the Service Area	<u>Attachment C, I, Need, 3</u>
Population and Demographics	<u>Attachment C, I, Need, 4</u>
Utilization of Nursing Facilities	<u>Attachment C, I, Need, 5</u>
Architect Letter	<u>Attachment C, II, Economic Feasibility, 1</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
RUG Rates	<u>Attachment C, II, Economic Feasibility 6</u>
Consolidated Financial Statements	<u>Attachment C, II, Economic Feasibility 10</u>
Copy of License	<u>Attachment C, III, Orderly Development, 7</u>
Survey and Plan of Correction	<u>Attachment C, III, Orderly Development, 8</u>

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Business Entity Detail

**Available
Entity
Actions**[File Annual Report \(after 12/01/2015\)](#)[Certificate of Existence](#)[Update Mailing Address](#)

Entity details cannot be edited. This detail reflects the current state of the filing in the system.

Return to the [Business Information Search](#).**000660519: Limited Liability Company - Domestic**[Printer Friendly Version](#)**Name:** Campbell County HMA, LLC**Status:** Active**Formed in:** TENNESSEE**Fiscal Year Close:** December**Term of Duration:** Perpetual**Principal Office:** 4000 MERIDIAN BLVD
FRANKLIN, TN 37067-6325 USA**Mailing Address:** 4000 MERIDIAN BLVD
FRANKLIN, TN 37067-6325 USA**AR Exempt:** No**Managed By:** Director Managed**Initial Filing Date:** 06/10/2011**Delayed Effective Date:****AR Due Date:** 04/01/2016**Inactive Date:****Obligated Member Entity:** No**Number of Members:** 1[Assumed Names](#)[History](#)[Registered Agent](#)**Name**

Tennova LaFollette Medical Center Clinic - Jacksboro
Tennova LaFollette Medical Center Clinic
Tennova Infusion Center
Tennova LaFollette Health & Rehabilitation Center
Tennova LaFollette Outpatient Rehab Center
Tennova LaFollette Geriatric Psychiatric Unit
Tennova LaFollette Sleep Disorders Clinic
Irene and Howard H. Baker Cancer Treatment Center
Tennova Healthcare - LaFollette
Tennova Healthcare - LaFollette Medical Center

Status

Active 09/23/2016
Active 09/08/2016
Active 09/08/2016
Active 09/08/2016
Active 09/08/2016
Active 09/08/2016
Active 09/08/2016
Active 09/08/2016
Active 09/02/2016
Active 09/02/2016

Expires

Business Services Division
312 Rosa L. Parks Avenue, Snodgrass Tower, 6th Floor
Nashville, TN 37243
[615-741-2286](#)

[Email](#) | [Directions](#) | [Hours and Holidays](#) | [Methods of Payment](#)[Contact Us](#) | [Site Map](#) | [Web Policies](#) | [Disclaimer](#) | [Department of State](#) | [Te](#)

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Attachment A, 4

COPY

AGREEMENT AND ASSIGNMENT OF LEASE

THIS AGREEMENT AND ASSIGNMENT OF LEASE ("*Agreement*") is made as of the 1st day of October, 2011, by and among THE CITY OF LAFOLLETTE, TENNESSEE, a city organized and existing as a governmental unit under the laws of the State of Tennessee, (the "*Lessor*"), ST. MARY'S MEDICAL CENTER OF CAMPBELL COUNTY, INC. (successor in interest to LAFOLLETTE MEDICAL CENTER, INC.), a Tennessee not-for-profit corporation, and MERCY HEALTH PARTNERS, INC. (successor in interest to St. Mary's Health System, Inc.), a Tennessee not-for-profit corporation being the sole member of LaFollette Medical Center, Inc., (collectively, the "*Assignor*") and CAMPBELL COUNTY HMA, LLC, a Tennessee limited liability company, (the "*Assignee*").

WITNESSETH:

WHEREAS, by that certain Lease and Purchase Option Agreement dated as of April 27, 2000, and that certain First Amendment to Lease Agreement which is anticipated in connection with this Assignment (collectively, the "*Lease*"), a copy of said Lease and all addenda, amendments and modifications thereof being attached hereto as EXHIBIT "A" and made a part hereof, Assignor leases that certain Leased Premises, as defined in the Lease, from the Lessor;

WHEREAS, Assignor desires to assign to Assignee and Assignee desires to accept from Assignor all of the right, title and interest of Assignor in and to the Lease and the Leased Premises; and

WHEREAS, Lessor desires to consent in all respects to the assignment of the Lease from Assignor to Assignee; and

WHEREAS, Assignor, Assignee and Lessor wish to agree in certain other respects as set forth herein;

NOW, THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, Lessor, Assignor and Assignee stipulate, covenant and agree as follows:

1. **ASSIGNMENT OF LEASE.** Assignor does hereby presently and absolutely sell, assign, convey, transfer, set over and deliver to Assignee, effective as of the closing of the transactions pursuant to which Assignee and its affiliates will acquire substantially all of the assets of Assignee and its affiliates in East Tennessee (the "*Closing*"), currently anticipated to be October 1, 2011, (the date on which such Closing occurs, the "*Effective Date*"), all of Assignor's right, title and interest in and to the Lease and to the Leased Premises arising thereunder. Lessor hereby consents to the foregoing assignment in all respects and agrees to be bound thereby. The parties agree that the Effective Date will be deemed to have occurred, and the foregoing

Physician recruitment → annualize salary
or just recruitment expenses? What are we
allowed?

systems, facility renovations, new facilities, medical office space, and development of new services, quality improvement programs, physician recruitment and other capital expenditures at the Leased Premises or the Undeveloped Land. Any cause beyond Assignee's control that prevents or delays Assignee's performance of its obligations hereunder, including the acts and requirements of governmental authorities, acts of God, acts of war or terrorism, civil insurrection, strikes or unavailability of raw materials or supplies shall extend the Expenditure Period to the extent necessary for Assignee to meet its obligations after the cause of the delay has been removed, provided that Assignee shall have no obligations hereunder following the expiration of the term of the Lease. Assignee shall, upon Lessor's reasonable request (but not more frequently than annually) during the remaining term of the Lease (including any "Renewal Term" pursuant to Section 4.3(b) thereof), provide Lessor with a report as to its expenditures pursuant to this Section.

7. **FEASIBILITY & ECONOMIC STUDY.** Assignee at its sole cost and expense, agrees to conduct a feasibility and economic study to determine the economic viability of additional healthcare facilities by an independent third party selected by Assignee, and approved by Lessor (which approval will not be unreasonably withheld).

Feasibility Study

C.I.P. 8. **ESCROW.** Assignee shall establish an escrow account and fund THREE HUNDRED THOUSAND (\$300,000.00) dollars per year for the remainder of the Lease, including any "Renewal Term" pursuant to Section 4.3(b) thereof, (up to an aggregate of TWO MILLION FOUR HUNDRED THOUSAND DOLLARS (\$2,400,000.00)) for the purpose of funding the construction of additional healthcare facilities, if Assignee elects to construct such facilities. In the event, Assignee elects not to construct additional healthcare facilities during the remaining term of the Lease, the escrowed funds (and all interest accrued thereon) will be released to Lessor upon the termination of the Lease. In the event, Assignee elects in its sole discretion to construct additional healthcare facilities during the remaining term of the Lease (including any "Renewal Term" pursuant to Section 4.3(b) thereof), Lessor agrees that the escrowed funds (and all interest accrued thereon) will be released to Assignee and be available for use in funding the costs of constructing or equipping such healthcare facilities.

9. **CHARITABLE CONTRIBUTION.** Upon the Effective Date, Assignor will make an unrestricted donation to the Lessor or its designee in the amount of ONE HUNDRED AND TWENTY FIVE THOUSAND DOLLARS (\$125,000.00) to be used by Lessor or its designee for appropriate charitable purposes. In addition, Assignee will make an unrestricted donation to the Lessor or its designee to be used by Lessor for appropriate purposes in the amount of ONE HUNDRED AND TWENTY FIVE THOUSAND (\$125,000.00) Dollars and, in Assignee's sole discretion, up to an additional unrestricted donation to the Lessor or its designee to be used by Lessor for appropriate purposes in the amount of ONE HUNDRED AND TWENTY FIVE THOUSAND (\$125,000.00), following the determination of any property tax assessment with respect to the Leased Premises.

*already
been made*

assignment and the other transactions described herein will become effective only upon the Closing.

2. **ASSUMPTION.** Assignee hereby assumes all of Assignor's obligations as lessee under the Lease with regard to the Leased Premises, from and after the Effective Date but not prior thereto.

3. **GUARANTY.** Notwithstanding the deletion of the Mercy Health Partners, Inc. guarantee in the First Amendment to Lease Agreement, Assignee agrees to provide a guarantee of the Lease by Knoxville HMA Holdings, LLC in the form attached hereto as EXHIBIT "B".

4. **UNDEVELOPED LAND.** For and in consideration of the sum of one dollar (\$1.00), Assignor hereby agrees to convey to Lessor all of its right title and interest in and to the undeveloped land described on EXHIBIT "C" attached hereto (the "Undeveloped Land"), which conveyance will occur on the Effective Date or as soon thereafter as practicable. Assignee is a third party beneficiary of Assignor's agreement to convey the Undeveloped Land to Lessor and shall have the right to enforce such obligation. Lessor acknowledges that during the remaining term of the Lease (including any "Renewal Term" pursuant to Section 4.3(b) thereof) the Undeveloped Land will be used solely and exclusively by Assignee, and solely for the construction and operation of healthcare facilities should Assignee elect to construct healthcare facilities thereon. If Assignee elects to construct healthcare facilities on the Undeveloped Land during the term of the Lease, Lessor agrees to transfer to Assignee, upon Assignee's request, for no consideration, fee title constituting all of Lessor's right, title and interest in and to the Undeveloped Land, free and clear of encumbrances, for the purpose of constructing and operating healthcare facilities. → *healthcare facility, not necessarily a hospital*

5. **ACCELERATED RENTAL PAYMENT.** Upon the Effective Date, Assignee shall pay to Lessor a lump sum rental payment (calculated on a net present value basis) in the amount of FIVE HUNDRED TEN THOUSAND DOLLARS (\$510,000.00), which payment will, notwithstanding any contrary provision of Article 5 of the Lease or any other provision of the Lease, satisfy any and all rental payments owed, owing or that may become due at any time during the remaining term of the Lease (including any "Renewal Term" pursuant to Section 4.3(b) of the Lease). The parties expressly acknowledge that the foregoing provisions expressly modify the Lease in accordance with Section 12.5 thereof. In addition, Assignor shall direct the release of TWO HUNDRED THOUSAND (\$200,000.00) dollars of currently escrowed rental payments for the benefit of Lessor.

6. **CAPITAL COMMITMENT.** During the remaining term of the Lease (including any "Renewal Term" pursuant to Section 4.3(b) thereof) (the "Expenditure Period"), Assignee commits to fund at least TWELVE MILLION DOLLARS (\$12,000,000.00) in the aggregate in capital expenditures with respect to the Leased Premises or the Undeveloped Land. The capital expenditures made by Assignee during the Expenditure Period may include, at Assignee's election, expenditures for new equipment, equipment replacement, information

10. **INDEMNIFICATION.** Assignor hereby defends, indemnifies and holds Assignee harmless from and against any and all loss, cost, damage, expense (including reasonable attorneys' fees), liability, claim or cause of action incurred by Assignee as a result of claims brought against Assignee, as Assignor's successor-in-interest to the Lease, arising prior to the Effective Date hereof from, in connection with, or in any way relating to the Lease. Assignee hereby agrees to defend, indemnify and hold Assignor harmless from and against any and all loss, cost, damage, expense (including reasonable attorneys' fees), liability, claim or cause of action incurred by Assignor as a result of claims brought against Assignor by reason of Assignee's failure to perform the obligations set forth in the Lease and assumed hereunder by Assignee from and after the Effective Date.


11. **BINDING EFFECT.** The covenants and agreements herein contained shall bind and inure to the benefit of and be binding upon each party hereto and its respective heirs, legal representatives, successors and assigns. The foregoing provisions shall be deemed for all purposes to modify the Lease in accordance with Section 12.5 thereof.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK


IN WITNESS WHEREOF, duly authorized representatives of the parties hereto have executed this Agreement and Assignment of Lease as of the day and year first above written.

ASSIGNOR:

**ST. MARY'S MEDICAL CENTER
OF CAMPBELL COUNTY, INC.,**
(successor in interest to LaFollette
Medical Center, Inc.)

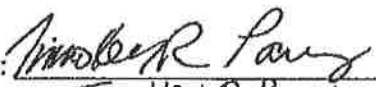
By: 
Name: Jeffrey A. Ashin
Title: President and CEO

MERCY HEALTH PARTNERS, INC.
(successor in interest to St. Mary's Health System, Inc.)

By: 
Name: Jeffrey A. Ashin
Title: President and CEO


ASSIGNEE:

CAMPBELL COUNTY HMA, LLC

By: 
Name: Timothy R. Parry
Title: Senior Vice President

LESSOR:

THE CITY OF LAFOLLETTE, TENNESSEE

By: 
Name: Michael R. Stratfield
Title: Mayor

CITY OF LaFOLLETTE, TENNESSEE

to

LaFOLLETTE MEDICAL CENTER, INC.

LEASE AND PURCHASE OPTION AGREEMENT

Dated as of April 27, 2000

Relating to LaFollette Medical Center

Prepared by:

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LEASE AND PURCHASE OPTION AGREEMENT

This Lease and Purchase Option Agreement ("Agreement") is made and entered into as of the 27th day of April, 2000, by and between THE CITY OF LaFOLLETTE, TENNESSEE (the "City"), a municipality organized and existing as a governmental unit under the laws of the State of Tennessee, and having its principal seat of government in LaFollette, Tennessee, and LaFOLLETTE MEDICAL CENTER, INC., a not-for-profit corporation organized and existing under the laws of the State of Tennessee (the "Lessee"), and ST. MARY'S HEALTH SYSTEM, INC., a not-for-profit corporation organized and existing under the laws of the State of Tennessee and sole member of Lessee ("St. Mary's").

Recitals

1. The City owns a sixty-six (66) bed hospital facility, a ninety-eight (98) bed nursing home, a home health agency, and a medical office building, all of which are located in the City and are collectively known as LaFollette Medical Center (the "Hospital") serving primarily the medical needs of residents of the City and Campbell County.

2. The City Council of the City (the "Governing Body") has determined that (a) certain improvements, program developments and other activities related to the future of the Hospital are necessary to (i) insure the long-term viability of the Hospital as a modern, up-to-date health care facility, (ii) assure residents of the City and County convenient access to affordable, quality health care, and (iii) strengthen strategic aspects of delivery and administration of managed care products and services in the community, and (b) the best way to accomplish such objectives is by means of this Agreement.

3. Lessee is a duly constituted and empowered Tennessee not-for-profit corporation, organized for charitable purposes, and, prior to the Commencement Date, as hereinafter defined, will have applied to the Internal Revenue Service to be recognized as an organization exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of the provisions of Section 501(c)(3) of the Code.

4. St. Mary's is a duly constituted and empowered Tennessee not-for-profit corporation, organized for charitable purposes, and is recognized by the Internal Revenue Service as an organization exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of the provisions of Section 501(c)(3) of the Code, which understands and has experience in the delivery of health care in East Tennessee, and is the sole member of Lessee.

5. The City, pursuant to its powers under the City Charter and the Constitution and the laws of the State of Tennessee, including ordinances, resolutions and other legislative proceedings of the Governing Body, has the authority and desires to exercise such powers by leasing with an option to purchase the Leased Premises, as herein defined, to Lessee, on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and agreements among the City, the Lessee, and St. Mary's hereinafter set forth, it is hereby agreed as follows:

Article I Definitions

Section 1.1. Definitions. The following terms are defined terms under this Agreement and shall have the following meanings given to them, unless the context and use clearly indicates a different intent and meaning:

"Agreement" means this Lease and Purchase Option Agreement and any future amendments and supplements hereto.

"Authorized Lessee Representative" means the person at any relevant time designated to act on behalf of the Lessee by written certificate furnished to the City containing the specimen signature of such person and signed on behalf of the Lessee by its President or other officer authorized by its Board of Directors or members. Such certificate may designate an alternate or alternates.

"Authorized City Representative" means the person at any relevant time designated to act on behalf of the City by written certificate furnished to the Lessee containing the specimen signature of such person and signed by the Mayor. Such certificate may designate an alternate or alternates. In this Agreement, wherein reference is to a "direction of the City," said direction shall be in writing and signed by an Authorized City Representative.

"City" means the City of LaFollette, Tennessee, a municipality organized and existing pursuant to the City Charter.

"City Charter" means Chapter 161 of the Private Acts of 1897 of the State of Tennessee, as amended.

"City Recorder" means, at any relevant time, the duly appointed and incumbent City Recorder of the City or such other public official who, under applicable law, has succeeded to the office of or is then exercising the powers of such City Recorder.

"Code" means the federal Internal Revenue Code of 1986, as amended, or the provisions of any successor code with respect to the federal taxation of income of individuals, corporations and other organizations, as applicable.

"Commencement Date" means the time and date the Lease Term commences, being 12:01 a.m., July 1, 2000.

"County" means Campbell County, Tennessee.

"*Current Obligations*" means only the following items set out under the heading of "Current Obligations" on Exhibit C, hereto: accounts payable, other accrued expenses, accrued compensation benefits, and estimated third-party settlements.

"*Ethical and Religious Directives*" means the Ethical and Religious Directives for Catholic Health Care Services as promulgated by the National Conference of Catholic Bishops as adopted in the archdiocese or diocese in which the Hospital is located. In the event that the National Conference of Catholic Bishops shall cease to exist, "Ethical and Religious Directives" shall mean such similar directives promulgated by its successor organization or by such organization then exercising its powers and duties, and in the event such archdiocese or diocese shall cease to exist so that there is not then an individual bearing the title Archbishop or Bishop of such archdiocese or diocese, such term shall mean the Ethical and Religious Directives adopted by the individual or organization then exercising the power, duties and authority of such Archbishop or Bishop.

"*Excluded Assets*" means the Hospital's assets shown on its balance sheet as of March 31, 2000, as "other receivables" and "assets limited as to use by Board for self-insurance," in the amounts set out in Exhibit D, attached hereto and herein incorporated by reference, as the same shall be adjusted by Coulter & Justus to reflect changes therein from March 31, 2000, to the Commencement Date, which adjusted amount the parties agree represents the Excluded Assets of the existing LaFollette Medical Center as of the Commencement Date.

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"*Fiscal Year*" means the period in any year commencing on January 1 and ending on December 31 of such year.

"*Governing Body*" or "*Governing Bodies*" means, with reference to the City, its City Council or such other successor body as may be provided by law and, with reference to the Lessee and St. Mary's, their respective Boards of Directors and members.

"*Health Care Facility*" means a facility for the delivery of health care services, including but not necessarily limited to acute care of in-patients, which provides, by and under the supervision of physicians, medical diagnosis and treatment, both surgical and non-surgical, over a continuous 24-hour period, seven days a week, to persons injured, sick or disabled, as well as out-patient and emergency room medical services.

"*Hospital*" means LaFollette Medical Center, including any and all subordinate and related facilities, including, without limitation, LaFollette Nursing Home, LaFollette Home Health, and LaFollette Medical Office Building, located on the Leased Land.

"*Hospital Bonds*" means the City of LaFollette, Tennessee, General Obligation Nursing Home Refunding Bonds, 1993 Series, bearing interest at rates from 2.5% to 5.1% and due in annual installments through March 2011 plus semi-annual interest payments.

"*Hospital Equipment Leases*" means the leases of equipment for the Hospital to (i) FINOVA Gov't Finance, Inc., (ii) Pitney Bowes Credit Corp., (iii) Panasonic Credit Company, (iv)

Datascope Corp., and (v) GE Medical Systems, which equipment leases and the rental obligations thereunder are reflected in Exhibits E-1, E-2, E-3, E-4, and E-5, respectively.

"Hospital Notes" means (i) the City of LaFollette, Tennessee, capital outlay note payable, due in semi-annual installments of \$39,517, including interest at 5.5%, through July 2011 for construction and equipping of the Independent Living Center, and (ii) the noninterest bearing term loan for the purchase dietary equipment, which loan had an outstanding principal balance of \$31,722 as of June 30, 1999, and is payable in monthly installments of \$961 through February 2002.

"Lease Term" or *"Term"* means the duration of the leasehold estates created in this Agreement, including any renewals thereof.

"Lease Year" means initially the time period commencing on the Commencement Date of this Agreement and ending at the end of the day immediately preceding the first annual anniversary of the Commencement Date, and thereafter, the period of time commencing on each annual anniversary of the Commencement Date and ending at the end of the day immediately preceding the next succeeding annual anniversary of the Commencement Date.

"Leased Equipment" means those items of equipment and related property as described in Exhibit B hereto and City's leasehold interest under the Hospital Equipment Leases, together with all items of equipment and related property installed or placed in or on the Leased Premises by Lessee as replacement or additional equipment.

"Leased Land" means the real estate and interests in real estate described in Exhibit A, which is attached hereto and by reference made a part hereof, together with the buildings, additions, improvements, fixtures, and facilities thereon and appurtenances thereto.

"Leased Premises" means the Leased Land and the Leased Equipment.

"Lessee" means LaFollette Medical Center, Inc.

"Lessee's Board of Directors" means the Board of Directors of LaFollette Medical Center, Inc.

"Mayor" means, at any relevant time, the duly elected and incumbent Mayor of the City or such other public official who, under applicable law, has succeeded to the office of or is then exercising the powers of such Mayor.

"Net Working Capital" means the amount specified in Exhibit C, attached hereto and herein incorporated by reference, as the same shall be adjusted as provided in Section 3.4, below, to reflect changes therein from March 31, 2000, to the Commencement Date, which adjusted amount the parties agree represents the net working capital of the existing LaFollette Medical Center as of the Commencement Date.

"*Permitted Encumbrances*" means, as of any particular time (i) this Agreement, (ii) easements of record as of the date hereof, (iii) mineral rights that will not materially affect, interfere with or impair the use of the Leased Premises by Lessee under this Agreement, and (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Leased Premises so long as no one or more of them, alone or in combination, materially affects, impairs or interferes with Lessee's use of the Leased Premises for the purposes hereby contemplated.

"*Replacement Hospital*" means a Health Care Facility, including the property on which it is situated, and those subordinate and related facilities, furnishings, fixtures and equipment that Lessee's Board of Directors deems adequate to meet the health care needs of the City and the County.

"*St. Mary's*" means St. Mary's Health System, Inc., the sole member of Lessee.

Section 1.2. Alternative Forms of Defined Terms. The use of the singular form of any word herein shall also include the plural form and vice versa. The use of the neuter form of any word herein shall also include the masculine and feminine forms, and the masculine form shall include the feminine and neuter forms and vice versa.

ARTICLE II

Representations

Section 2.1. Representations by the City. The City makes the following representations as the basis of the undertakings on its part herein contained:

- (a) The City is duly incorporated and validly existing as a municipality and public corporation under the provisions of the City Charter.
- (b) Under the provisions of the City Charter, Constitution, and applicable laws of the State of Tennessee, the City has the power and authority to enter into this Agreement, including the option to purchase, and the transactions hereby contemplated and to carry out and perform its obligations hereunder.
- (c) The Governing Body of the City has, by all necessary and appropriate proceedings, approved the form and substance of this Agreement and has duly authorized its execution, delivery and performance by the City. Such proceedings are (i) valid and in accordance with all applicable laws, including, without limitation the "Sunshine Law," and (ii) are either not subject to veto or appeal or the time therefor has elapsed and such proceedings have not been repealed, amended or supplemented as of the date hereof.
- (d) Upon its due execution and delivery by all other parties hereto, this Agreement will be a valid and binding obligation of the City, enforceable in accordance with its

terms, subject only to bankruptcy and other similar laws affecting the rights of creditors and the exercise of judicial discretion in appropriate cases.

- (e) Neither the City's execution and delivery of this Agreement nor the City's performance of its obligations under this Agreement (i) violates any provision of the Constitution or laws of the State of Tennessee or the City Charter or (ii) conflicts with or violates, in any material respect, any representation, warranty, covenant, agreement or other obligation binding upon the City or applicable to the Leased Property or Leased Equipment.
- (f) There are no judicial or administrative proceedings pending or, to the best of the City's knowledge, threatened, challenging directly or indirectly (i) the validity of the proceedings by the City's Governing Body authorizing the City's execution, delivery and performance of this Agreement, (ii) the validity of this Agreement, or (iii) the City's power and authority to perform its obligations under this Agreement in accordance with its provisions.
- (g) Except as disclosed on Exhibit A, the City owns the Leased Land in fee simple with title thereto unencumbered except by Permitted Encumbrances.
- (h) Except as disclosed on Exhibit B, City has absolute unencumbered ownership of the Leased Equipment.
- (i) The Hospital Bonds and Hospital Notes are the only outstanding debt obligations of the City with respect to the Leased Premises, including, without limitation, the Hospital.
- (j) The Hospital Equipment Leases are the only outstanding lease obligations of the City with respect to the Leased Premises, including, without limitation, the Hospital.

Section 2.2. Representations by the Lessee. Lessee makes the following representations as the basis for the undertakings on its part herein contained:

- (a) The Lessee (i) is a nonprofit public benefit corporation organized and existing under the laws of the State of Tennessee and exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code; (ii) will, as of the Commencement Date, have applied for a determination letter from the Internal Revenue Service to such effect; (iii) is not aware of any facts or circumstances that could cause a denial of that letter; (iv) will comply with all terms and conditions of such determination letter when and as received; and, (v) has not taken and will not take any actions that would jeopardize its status as an organization described in Section 501(c)(3) of the Code exempt from taxation under Section 501(a) of the Code.

- (b) The Lessee has the power to enter into this Agreement and carry out its obligations hereunder and, by all proper corporate action, has been duly authorized to enter into, execute and deliver this Agreement, subject to the Lessee's obtaining authorization from applicable regulatory authorities (i) to use the Hospital's existing Medicare provider number or the Lessee's securing a new provider number and (ii) to operate the Hospital under the City's existing license or Lessee's securing a new license to operate the Hospital.
- (c) Upon its due execution and delivery by all other parties hereto, this Agreement will be a valid and binding obligation of the Lessee, enforceable in accordance with its terms, subject only to bankruptcy and other similar laws affecting the rights of creditors and the exercise of judicial discretion in appropriate cases.
- (d) Neither the Lessee's execution and delivery of this Agreement nor Lessee's performance of its obligations under this Agreement (i) violates any provision of the Constitution or laws of the State of Tennessee or (ii) conflicts with or violate, in any material respects, any representation, warranty, covenant, agreement or other obligation of the Lessee.
- (e) There are no judicial or administrative proceedings pending or, to the best of the Lessee's knowledge, threatened, challenging directly or indirectly (i) the validity of the proceedings of the Lessee authorizing the execution, delivery and performance of this Agreement, (ii) the validity of this Agreement, or (iii) the Lessee's power and authority to perform its obligations under this Agreement in accordance with its provisions.
- (f) The Lessee's Charter and Bylaws presently conform and, during the term of this Agreement, they and any superseding document by whatever name designated shall continue to conform to the provisions of this Agreement and to those provisions applicable:
 - (1) for exemption from federal income taxation as a nonprofit corporation exempt from federal income taxation under Section 501(a) of the Code by virtue of the provisions of Section 501(c)(3) of the Code; and,
 - (2) for a duly constituted and empowered Tennessee corporation, organized for charitable purposes and not for profit.

Section 2.3 Representations by St. Mary's. St. Mary's makes the following representations as the basis of the undertakings on its part herein contained:

- (a) St. Mary's (i) is a nonprofit public benefit corporation organized and existing under the laws of the State of Tennessee and exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code; (ii) has received a determination letter from the Internal Revenue Service to

such effect; (iii) is not aware of any facts or circumstances that could cause a denial of that letter; (iv) will comply with all terms and conditions of such determination letter when and as received; and, (v) has not taken and will not take any actions that would jeopardize its status as an organization described in Section 501(c)(3) of the Code exempt from taxation under Section 501(a) of the Code.

- (b) St. Mary's has the power to enter into this Agreement and carry out its obligations hereunder and, by all proper corporate action, has been duly authorized to enter into, execute and deliver this Agreement, subject to the Lessee's obtaining authorization from applicable regulatory authorities (i) to use the Hospital's existing Medicare provider number or the Lessee's securing a new provider number and (ii) to operate the Hospital under the City's existing license or Lessee's securing a new license to operate the Hospital.
- (c) Upon its due execution and delivery by all other parties hereto, this Agreement will be a valid and binding obligation of St. Mary's, enforceable in accordance with its terms, subject only to bankruptcy and other similar laws affecting the rights of creditors and the exercise of judicial discretion in appropriate cases.
- (d) Neither St. Mary's execution and delivery of this Agreement nor its performance of its obligations under this Agreement (i) violates any provision of the Constitution or laws of the State of Tennessee or (ii) conflicts with or violate, in any material respects, any representation, warranty, covenant, agreement or other obligation of St. Mary's.
- (e) There are no judicial or administrative proceedings pending or, to the best of St. Mary's knowledge, threatened, challenging directly or indirectly (i) the validity of the proceedings of St. Mary's authorizing the execution, delivery and performance of this Agreement, (ii) the validity of this Agreement, or (iii) St. Mary's power and authority to perform its obligations under this Agreement in accordance with its provisions.
- (f) St. Mary's Charter and Bylaws presently conform and, during the term of this Agreement, they and any superseding document by whatever name designated shall continue to conform to those provisions applicable:
 - (1) for exemption from federal income taxation as a nonprofit corporation exempt from federal income taxation under Section 501(a) of the Code by virtue of the provisions of Section 501(c)(3) of the Code; and,
 - (2) for a duly constituted and empowered Tennessee corporation, organized for charitable purposes and not for profit.

ARTICLE III
Demising Clause; Exclusive Option;
Title Insurance; and, Net Working Capital

Section 3.1. Demise of the Project. In consideration of and subject to the rentals and other terms and conditions herein specified, and otherwise in accordance with the provisions of this Agreement, City hereby demises and leases the Leased Premises to Lessee.

Section 3.2. Exclusive Purchase Option. City grants to Lessee the exclusive right and option to purchase the Leased Premises, together with any and all easements and rights-of-way City owns in conjunction therewith. The purchase option hereby granted is exercisable by Lessee upon the earlier occurrence of the following events:

- (i) the completion by Lessee of the Replacement Hospital; or,
- (ii) the nineteenth (19th) anniversary of the Commencement Date of this Agreement.

Lessee may exercise its purchase option granted herein by Lessee's giving written notice thereof, in accordance with Article XI, below, to the City upon either of the following events, whichever is applicable:

- (a) within thirty (30) days of the completion of the Replacement Hospital; or,
- (b) at anytime following the nineteenth (19th) anniversary of the Commencement Date but not later than one hundred twenty (120) days after receipt of written notice from the City of the expiration of the Lease Term or one hundred twenty days (120) of the twentieth (20th) anniversary of the Lease, whichever is later.

The purchase price for the Leased Premises shall be One Dollar (\$1.00). Closing of the purchase shall take place in LaFollette, Tennessee, within thirty (30) days of either the effective date of Lessee's notice, if the option is exercised upon completion of the Replacement Hospital, or the day immediately preceding the twentieth (20th) anniversary of the Commencement Date, if the option is exercised following the nineteenth (19th) anniversary of the Commencement Date. At closing, all documents necessary for conveyance of the Leased Premises to Lessee shall be executed and delivered by City, all adjustments shall be made, and the purchase price shall be paid by Lessee. City shall execute and deliver all instruments reasonably deemed necessary by Lessee to accomplish this transaction. City shall convey good and marketable fee simple title of the Leased Premises to Lessee by general warranty deed, qualifying for the issuance of a standard ALTA title insurance policy, free and clear of all liens and encumbrances, except only the lien for real estate taxes, if any, for the year in which closing occurs which shall be prorated to date of closing and assumed by Lessee.

Section 3.3. Title Insurance or Opinion. Lessee may, at its expense, obtain a policy or policies of title insurance in such amount as Lessee deems appropriate in its sole discretion or an opinion of counsel acceptable to Lessee that the City has good and merchantable title to the Leased

Premises subject only to Permitted Encumbrances. City shall cooperate fully with Lessee with respect to Lessee's obtaining such title insurance or opinion of counsel.

Section 3.4. Net Working Capital.

- (a) Purchase of Net Working Capital. The City and Lessee agree that, on the Commencement Date, Lessee shall purchase from City the Net Working Capital of the Hospital, and City shall transfer to Lessee ownership of the Net Working Capital of the Hospital. Net Working Capital shall not include the Excluded Assets as set out in Exhibit D.
- (b) Computation of Net Working Capital. Attached hereto as Exhibit C is the net working capital of the Hospital as of March 31, 2000, as reflected in the Hospital's most recent financial statements. The parties agree that the amount of net working capital reflected in Exhibit C shall be adjusted to reflect changes therein from March 31, 2000, to the Commencement Date, and the Net Working Capital transferred to Lessee and the amount paid by Lessee to City therefor shall be the amount as presented in the audited short-period financial statements of the Hospital as of June 30, 2000, as prepared by Coulter & Justus, P.C., CPA's. On the Commencement Date, Lessee shall pay to the City eighty (80%) percent of the Net Working Capital as reflected on Exhibit C. Within sixty (60) days of the Commencement Date, Coulter & Justus, P.C., shall furnish the parties hereto with the audited short-period financial statements as of June 30, 2000. Within thirty (30) days thereof, either party may submit to the other a detailed statement setting out any objection to the calculation of Net Working Capital. The City and Lessee shall, in good faith, use reasonable efforts to resolve any objection and to reach an agreement as to the amount of Net Working Capital. Within ten (10) days after the parties agree upon the amount of Net Working Capital, if the amount of Net Working Capital is greater than the amount paid by Lessee on the Commencement Date, Lessee shall pay the City the difference therein or if the amount of Net Working Capital is less than the amount by Lessee on the Commencement Date, the City shall repay the difference to the Lessee. In the event the parties are unable to agree as to the amount of Net Working Capital, they shall select an independent accounting firm, whose determination as to the amount of Net Working Capital shall be binding.
- (c) Lessee's Assumption of Current Obligations. Upon the Commencement Date, Lessee shall assume and satisfy when due the Current Obligations. Such assumption shall be evidenced by a written instrument executed by Lessee, which instrument shall be in substantially the form and substance as Exhibit E, attached hereto.
- (d) Pension Plan Assets. The parties agree that the Net Working Capital of the Hospital shall not be deemed to include the assets held by the City for the

benefit of its employees' Section 403(b) pension plan, which assets and any and all related liabilities shall, on the Commencement Date, be transferred and delivered by the City to the Lessee for the benefit of the Hospital's employees.

ARTICLE IV

Effective and Commencement Dates; Delivery and Acceptance of Possession; Lease Term; Surrender of Possession; and, Operation of Leased Premises by Lessee

Section 4.1. Effective Date. This Agreement shall become effective upon its execution on behalf of the City, Lessee, and St. Mary's.

Section 4.2. Delivery and Acceptance of Possession. City shall deliver possession of the Leased Premises to Lessee and the Lease Term shall commence at 12:01 a.m., July 1, 2000 (the "Commencement Date"), and Lessee shall accept possession of the Leased Premises upon such delivery.

Section 4.3. Lease Term.

- (a) Initial Term. This Agreement shall have an initial Lease Term beginning on the Commencement Date and ending at the end of the day immediately preceding the tenth (10th) anniversary of the Commencement Date (the "Initial Term").
- (b) Renewal Terms. Lessee shall also have the option to extend the Lease Term for two (2) additional terms of five (5) years each (each a "Renewal Term"). The Lessee may exercise its option to extend the Agreement for the first Renewal Term by giving written notice thereof to the City at least one (1) calendar year prior to the expiration of the Initial Term or within ninety (90) days of receipt of written notice from the City advising Lessee that the initial Lease Term will expire, whichever is later, and its option to extend the Agreement for the second Renewal Term by giving written notice thereof to the City at least one (1) calendar year prior to the expiration of the first Renewal Term of this Agreement or within ninety (90) days of receipt of written notice from the City advising Lessee that the first Renewal Lease Term will expire, whichever is later.

Anything in this Agreement to the contrary notwithstanding, this Agreement will terminate as of the closing of Lessee's purchase of the Lease Premises pursuant to the purchase option granted in Section 3.2, above.

Section 4.4. Surrender of Possession Upon Expiration or Termination. Upon the expiration or termination of this Agreement without Lessee's having exercised its exclusive option to purchase the Leased Premises, as provided in Section 3.2, above, Lessee shall promptly surrender

possession of the Leased Premises to the City in as good condition and state of repair as on the Commencement Date excepting, however, reasonable use, ordinary wear and tear, taking by condemnation, eminent domain or other process, and destruction or damage by fire or other unavoidable casualty, failing which the City may restore the Leased Premises to such condition and state of repair and the Lessee shall pay the cost of such restoration. In the event, however, that the City shall permit the Lessee to hold over after expiration of the Lease Term, such holding over shall constitute a tenancy from year to year only and shall not be considered as a renewal or extension of this Agreement; and, during such year-to-year tenancy, the Lessee shall pay the monthly rate of rental in effect immediately prior to the expiration of such term on the same payment schedule as provided for herein; and for the period of such tenancy, the Lessee shall be bound by all of the provisions of this Agreement insofar as, and to the extent that, the same may be pertinent.

Section 4.5. Operation of Leased Premises by Lessee. The parties hereto acknowledge that the operation of the Leased Premises by Lessee in accordance with the Ethical and Religious Directives is a matter of conscience to the Lessee. It is the intent of the parties that neither this Agreement nor any part hereof shall be construed to require the Lessee to violate the Ethical and Religious Directives in its operations and all parts of this Agreement must be interpreted in a manner that is consistent with the Ethical and Religious Directives; provided, however, that nothing in this section is intended to modify the requirement that the Lessee make payments specified in Article V hereof.

Article V Rent and Additional Consideration

Section 5.1. Rents Payable. Lessee shall pay as rent each and every of the following enumerated items, with the time that payment of each such item of rent is due being as follows:

- (a) Prepaid Basic Rent. On or before the Commencement Date, Lessee shall pay to the City the sum Five Million Two Hundred Fifty Thousand Dollars (\$5,250,000) as prepaid rent to cover all rental payments due during the Initial Term of this Agreement. From such payment, the City shall cause to be satisfied any and all indebtedness, other than Current Obligations, as to the Leased Premises, including without limitation the Hospital Notes and Hospital Bonds, such that any and all liabilities of the City with respect to the Hospital and of Hospital existing as of the Commencement Date are paid and satisfied, excepting only the Hospital Equipment Leases and Current Obligations.
- (b) Rent With Respect to Renewal Terms.
 - (i) During the first five (5) year Renewal Term, rental payments shall be One Hundred Thousand Dollars (\$100,000.00) per year payable to the City on or before July 1 of each year during the Renewal Term. During the second five (5) year first Renewal Term, rental payments shall be Fifty Thousand Dollars

(\$50,000.00) per year payable to the City on or before July 1 of each year during the second Renewal Term.

- (ii) All rental payments paid by Lessee to City during any Renewal Term shall be held in an mutually agreeable escrow account until the expiration or termination of this Agreement. If at the time of such expiration or termination Lessee has completed construction of the Replacement Hospital, all such rental payments, together with all interest earned thereon, shall be paid to Lessee upon the opening of the Replacement Hospital; otherwise, all such funds shall be paid to the City.
- (c) Rent With Respect to Hospital Equipment Leases. To the lessor of each Hospital Equipment Lease, an amount which is sufficient to pay each rental payment on the Hospital Equipment Leases on each rental payment due date; provided, however, to the extent that the period for which such rental is payable on any Hospital Equipment Lease begins before or ends after the term of this Agreement, then such payments by Lessee shall be prorated based upon the actual number of lease days elapsed in the rental computation period divided by the total number of days in the applicable rental computation period. In the event Lessee exercises the exclusive purchase option set out in Section 3.2, above, and any Hospital Equipment Leases remain in effect as of the closing of said purchase, Lessee agrees to assume such Hospital Equipment Leases as may be in effect at the time of said closing.

Section 5.2. Additional Consideration: As additional consideration, Lessee shall:

- (a) Prior to January 1, 2004, develop and produce a feasibility study to determine the need for and economic viability of a Replacement Hospital. Lessee agrees to retain the services of an independent consultant, with national or regional expertise in conducting such feasibility studies in the field of health care, to assist in the development and production of said feasibility study. Such consultant shall be selected by the Governing Body of the City from a list of qualified consultants provided by Lessee. If, in Lessee's sole judgment, the feasibility study indicates that a Replacement Hospital is needed and would be an economically viable project, Lessee shall, subject to the approval of its sole member, use all reasonable efforts to design, seek necessary approvals for, construct, and equip the Replacement Hospital. The City shall cooperate as requested and shall actively support Lessee's efforts to secure the necessary approvals for the Replacement Hospital, including, without limitation, approval of an application for a Certificate of Need from the Tennessee Health Facilities Commission and reasonably requested changes in zoning, variances in zoning, and any other land use restrictions. The foregoing notwithstanding, nothing herein shall be construed to require the Lessee to pursue construction of the Replacement Hospital in the event (i) a Certificate of Need cannot be reasonably attained or (ii) at any time prior to completion of the Replacement Hospital, there is a material, adverse change in government or third-party payor reimbursement such that, in Lessee's sole

judgment, the Replacement Hospital cannot be operated in an economically viable manner.

- (b) During the first thirty-six (36) months of the Initial Term, make Four Million Dollars (\$4,000,000) in capital expenditures as Lessee's Board of Directors deems appropriate and necessary for general facility improvements at the Hospital, which shall include, but not be limited to, expenditures for additional or upgraded equipment acquisitions through lease or purchase, installation of information system improvements at the Hospital, and to maintain the Hospital's existing accreditations, licenses and permits and respond to technological advances to enhance the quality of care the Hospital provides. Expenditures made by Lessee to satisfy the requirements of this Subsection 5.2(b) shall be reflected in annual reports submitted by Lessee to City. If for any reason, Lessee does not expend a total of Four Million Dollars (\$4,000,000) in accordance with this Subsection 5.2(b), Lessee shall place in a mutually agreeable escrow account an amount equal to the difference between Four Million Dollars (\$4,000,000) and what amount was expended for such improvements to be used for future capital expenditures at the Hospital by Lessee or any future owner or operator of the Hospital. Provided, however, Lessee shall receive credit towards its obligation as provided in this Section 5.2(b) for any amounts credited by Lessee, in its sole discretion, in calculating Net Working Capital, for fixed assets purchased by Hospital within sixty (60) days of the Commencement Date. Provided further, however, Lessee shall also receive credit towards its obligation as provided in this Section 5.2(b) in the amount of \$631,460.00 in connection with the Hospital's acquisition of the General Electric CT Scanner by contract dated January 13, 2000, which contract is hereby assumed by Lessee. Notwithstanding anything in this Section 5.2(b) to the contrary, in the event Lessee or St. Mary's, within the first thirty-six (36) months of the Initial Term, notifies the City in writing of its commitment to build a Replacement Hospital, Lessee is relieved and shall not be required to make any further capital expenditure under this Section 5.2(b).
- (c) During the Initial Term of this Agreement, upon demonstrable need and as permitted by law, commit resources to expanding clinical services at the Hospital and to a recruitment and incentive plan to be used to attract physicians, as identified in the Hospital's medical staff development plan, to the Hospital to serve the health needs of the community and assist in the identification of opportunities for additional or enhanced clinical services at the Hospital.
- (d) During the Lease Term, pay all costs and expenses of the operation and maintenance of the Leased Premises when and as the same shall be due and payable.
- (e) During the Lease Term, pay, as part of the cost of operating and maintaining the Leased Premises, all taxes and assessments, if any, that may be levied against the same; provided, however, that the City shall, with all dispatch, cooperate with

Lessee in any manner reasonably requested by Lessee to assist Lessee in its efforts to take steps that may reasonably be required at any time and from time to time for the purpose of establishing and continuing to maintain, if practicable, the exemption of the Leased Premises in their entirety from any and all assessment and taxation.

- (f) During the Initial Lease Term, Lessee shall operate a Health Care Facility as a part of the Hospital.

In the event the Lessee fails to make any of the payments required in this Section 5.2, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid and such payment obligation shall survive the expiration of the Lease Term or the termination of this Agreement by City for a default by Lessee.

Section 5.3. Obligations of Lessee Hereunder Unconditional. Unless otherwise provided in this Agreement, the obligations of the Lessee to make the payments required in this Article V and to perform and observe the other agreements on its part contained in this Article V shall not be subject to diminution by set-off, counterclaim, abatement or otherwise and the Lessee (i) will not suspend or discontinue or permit the suspension or discontinuance of any such payments, (ii) will perform and observe all its other agreements contained in this Agreement, and (iii) will not terminate the Lease Term for any cause except those specifically permitted herein. Without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of or damage to the Leased Premises, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Tennessee, or any failure of the City to perform and observe any agreement, whether express or implied, duty, liability or obligation arising out of or connected with this Agreement, provided such failure does not unreasonably interfere with Lessee's use and possession of the Leased Premises in the manner hereby contemplated, will not be cause for termination hereof by Lessee. To the extent permitted by law, the Lessee may at its own cost and expense and in its own name or that of the City prosecute or defend any action or proceeding or take any other action involving third persons that the Lessee deems reasonably necessary to secure or protect its right of possession, occupancy, and use of the Lease Premises hereunder; and, in such event, the City hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for or the joinder of the Lessee with the City in any such action or proceeding if the Lessee shall so request.

Article VI

Warranties and Covenants

Section 6.1. Warranties and Covenants of City. The City warrants, covenants and agrees that:

- (a) If the Lessee shall keep and perform the covenants in this Agreement on its part to be kept and performed, the Lessee shall peaceably and quietly hold, occupy and enjoy the Leased Premises during the term of this Agreement or any extension or

renewal thereof, without any hindrance or molestation by the City or any person or persons lawfully claiming under it.

- (b) Except as herein otherwise expressly provided, as of the Commencement Date, full administrative and operational control of the Leased Premises, including, without limitation, the Hospital, is be vested in the Lessee and not subject to the oversight, control, or review of the City or any other entity related to the City or described in the City Charter.
- (c) Except as herein otherwise expressly provided, the City shall not be required to construct or install any facilities, improvements or equipment in or on the Leased Premises.
- (d) Except as herein otherwise expressly provided, the Lessee shall have the right from time to time at its sole cost and expense to make repairs, restorations, replacements, additions, alterations and changes, whether structural or nonstructural, in or to the Leased Premises.
- (e) It is not aware of any noncompliance with any environmental laws concerning the Leased Premises, including, without limitation, the presence or absence of asbestos, petroleum products, hazardous wastes, illegal substances, toxic substances, and all other pollutants and contaminants, and agrees to be responsible for, save, indemnify, and hold Lessee harmless from any and all investigations, litigation, claims, disputes, damages, cost of clean-up, and/or corrective actions and liabilities, including, but not limited to, attorneys' fees and court costs, of any nature whatsoever required or arising out of the City's or Hospital's noncompliance with any environmental laws involving the Leased Premises that existed before or at the Commencement Date; provided, however, the City shall not be responsible for the cost of asbestos clean-up, removal or abatement resulting from renovation of the Leased Premises after the date hereof.
- (f) It shall be responsible for any noncompliance occurring before and existing at the Commencement Date with regard to Medicare, Medicaid, and/or TennCare laws, rules, regulations, and/or policies or those applicable to programs of any other third-party payors governing reimbursement for services rendered to participants in such programs that could result in the Hospital's being subjected to fines or penalties or being forced to reimburse any such payors for monies paid to the Hospital for services. City agrees that, if the Hospital is found to have violated any of said laws, rules, regulations and/or policies, it shall indemnify Lessee as set forth under Section 10.2 for reimbursement relating to, concerning, or arising from such violations, including, but not being limited to, fines, interest, and penalties sought to be imposed by such payors for the Hospital's violations that occurred before or existed at the Commencement Date. In the event any such payor offsets against payments due Lessee such amounts owed by the City or Hospital to such payor, the City agrees to reimburse Lessee for such offsets. The foregoing notwithstanding,

the parties agree and stipulate that the Net Working Capital transferred to the Lessee at the Commencement Date, as provided in Section 3.4, above, includes an amount for reserves payable to and receivable from third-party payors for cost report settlements ("Reserves"); and, with regard to the settlement of such third-party payor cost reports, the parties agree as follows:

- (i) if such settlements collectively result in total receipts by Lessee from such payors in excess of \$100,000 over the Reserves ("Excess Receipts"), Lessee will pay the Excess Receipts to the City; or,
- (ii) if such settlements collectively result in total payments by Lessee to such payors in excess of \$100,000 over the Reserves ("Excess Payments"), the City shall reimburse Lessee in the amount of such Excess Payments.

Lessee will provide documentation to the City supporting the payment of Excess Receipts or the deduction of Excess Payments at the time any such payment or deduction is made or taken. The City may contest such payment or deduction or the amount thereof by giving Lessee notice thereof with ten (10) business days of the receipt of such documentation. Upon receipt of such notice, representatives of the City and Lessee will meet within five (5) business days and use their reasonable best efforts to resolve the matter.

- (g) It shall apply the Prepaid Basic Rent as set out in Section 5.1(a) to the satisfaction of any and all liabilities, other than Current Obligations and Hospital Equipment Leases, relating to, arising from or connected with the Leased Premises, including, without limitation, the Hospital Notes and Hospital Bonds, incurred before or existing at the Commencement Date. Upon written request by Lessee, the City shall provide Lessee with written verification of the payment of such liabilities.
- (h) It shall, for itself and Lessee, resist and defend any administrative or judicial challenge to the legality of this Agreement or the legal authority of City to enter into the same. City further agrees and warrants that, if any such challenge should be successful and this Agreement is declared to be invalid, it will repay to Lessee any and all payments of Prepaid Basic Rent, rent paid during any Renewal Term, and additional consideration paid by Lessee in accordance with Section 5.2, above.
- (i) In the event Lessee builds a Replacement Hospital pursuant to the terms of this Agreement, the City agrees that it will contribute up to Seven Hundred Fifty Thousand Dollars (\$750,000) towards the project for land acquisition and site preparation and the extension and construction of utilities, access, and roads.
- (j) During the Lease Term and for a period of ten (10) years following the completion of the Replacement Hospital, the City shall not, directly or indirectly, develop, finance, construct, operate, or provide support to any Health Care Facility, nursing home, medical office building, or home health agency in the City or County which

provides services in competition with the Hospital, nor shall the City permit any of its subordinate organizations or entities to do so.

Section 6.2. Warranties and Covenants of Lessee. The Lessee warrants, covenants and agrees that:

- (a) It shall use and occupy the Leased Premises and, during the Initial Term of this Agreement, shall faithfully administer, operate and maintain a Health Care Facility thereon, which, to the extent facilities and capabilities permit, shall be open at all times and without discrimination as to race, creed, color, sex, national origin, or disability to residents of the City and County and members of the general public, in each case as determined in accordance with appropriate and reasonable admission policies of its sole member.
- (b) It shall administer, operate and maintain the Leased Premises in accordance with the terms of this Agreement; and, in the discharge of its obligations hereunder, shall conform to and abide by all present and future applicable laws, ordinances, rules, regulations, requirements, and orders of all governmental authorities or agencies having jurisdiction over the Leased Premises or the operations of the Lessee; provided, however, that nothing herein contained shall require the Lessee to comply with, observe, and conform to any such law, ordinance, rule, regulation, requirement or order so long as the validity thereof or the applicability thereof shall be contested in good faith; and, provided further, however, that the terms and conditions of this Agreement shall not be altered by any ordinance, resolution or other proceedings of the Governing Body without the prior written consent of the Lessee. Except as herein otherwise expressly provided, all costs of administration, operation and maintenance of the Leased Premises shall be the exclusive obligation of the Lessee and shall be discharged by the Lessee at its sole expense.
- (c) It shall use and occupy the Leased Premises in a careful, safe, and proper manner and for lawful purposes only and shall commit no waste and shall suffer no waste to be committed thereon.
- (d) It shall, at its expense and at all times, keep the Leased Premises insured against loss or damage by fire or other casualty by a policy or policies of full extended coverage insurance in a company or companies of good standing and qualified to write such insurance in the State of Tennessee or a suitable program of self-insurance. Such insurance or self-insurance program shall be for an amount not less than the full insurable value of the Leased Premises, including completed improvements and additions thereto or any separable portion thereof as determined by and upon certification by the architect. Each such policy shall provide that the loss, if any, shall be payable to the City or a payee designated by the City. If, at any time during the Lease Term, the Leased Premises are destroyed or damaged and such destruction or damage was covered by or attributable to a casualty covered by such insurance or self-insurance program, as required by this Section

6.2(f), City shall use its reasonable best efforts, exercised promptly and diligently, to repair such damage and reconstruct and restore the Leased Premises as soon as reasonably possible and as near to their former condition as practicable at City's expense, using the proceeds of such insurance or self-insurance program exclusively for such purposes, and this Agreement shall continue in full force and effect. City shall not be required to expend any sums in excess of the proceeds of such insurance or self-insurance program for the repair, reconstruction, or restoration of the Leased Premises. If it is reasonably practicable to do so, Lessee shall continue the operation of the Hospital on the Leased Premises during the period the damage, destruction, repair, reconstruction, or restoration continues, and the rent payable under Section 5.1(b) shall be abated in such proportion as the area damaged or destroyed bears to the total area of the facilities and improvements subject to this Agreement; provided, however, if, during such period, it is not reasonably practicable to operate the Hospital on the Leased Premises, the Lessee may cease operations of the Hospital, and the rent payable under Sections 5.1(b) and 5.2(b) shall be fully abated until the repairs are made and the reconstruction and restoration completed and, at Lessee's sole option, the Lease Term shall be extended for a like period.

- (e) It shall further, at its expense and at all times, maintain general liability insurance or one or more suitable self-insurance programs to cover such risks and in such amounts as, in its judgment, are adequate to protect it and its properties and operations.
- (f) It shall further, at its expense and at all times, procure and maintain a policy or policies of professional liability insurance in a company or companies of good standing qualified to write such insurance in the State of Tennessee or a suitable program of self-insurance in an amount not less than that maintained by its sole member for hospital facilities operated by it or its affiliates.
- (g) Each policy or program of self-insurance provided for in subsections (d), (e) and (f) of this Section 6.2 shall, during the Lease Term, name or carry an endorsement including City as an additional insured and shall be cancelable only upon at least ten (10) days' written notice to the City. A duplicate original of each such policy or a certificate or certificates in evidence thereof shall be delivered to and held by the City.
- (h) It shall, at its own cost and expense, keep the Leased Premises in good repair and order, reasonable wear and tear excepted, and in as reasonably safe condition as its operations will permit and make all necessary repairs thereto, interior and exterior, structural and nonstructural, ordinary as well as extraordinary, and foreseen as well as unforeseen, and all necessary replacements or renewals, subject in all respects to the receipt by the Lessee of all necessary governmental permits and approvals therefor; provided, however, that except as otherwise required by Sections 4.4, 5.2(e), and 6.2(a) of this Agreement, nothing herein contained shall be construed

to prevent the Lessee from discontinuing the use and operation of any non-essential part of the Leased Premises, including disposal of Leased Equipment, if in its sole judgment it is no longer cost effective to use and operate such part.

- (i) It shall not sublease the Leased Premises or any part thereof or assign this Agreement without having obtained in each case the prior consent of the Governing Body of the City to be evidenced by its duly adopted and effective resolution, and the Lessee further shall not permit a transfer, by operation of law or any process or court proceedings, of the Lessee's interest in the Leased Premises acquired hereunder, except that, subject to the provisions of Section 12.2, the prior consent of such Governing Body shall not be required with respect to (i) an assignment to any other non-profit corporation, the sole member of which is Lessee's sole member (or its successor), or which is affiliated with or controlled, directly or indirectly, by Lessee's sole member (or its successor), (ii) sublease for patient or employee convenience activities such as, but not limited to, gift shops, snack shops, barber or beauty shops, doctors' or dentists' accommodations, flower shops, counseling services, laundry services, pharmacy, and living accommodations for persons providing services within the Leased Premises, or for services related to the operation of the Leased Premises as a Health Care Facility such as, but not limited to, physician's offices, pathology, x-ray, physical medicine, anesthesiology, electro-cardiology and emergency room operations, or (iii) any leases, subleases, assignments, or uses extant on the Commencement Date; provided, however, no such transfer, assignment or sublease shall conflict with the covenants of the Lessee under this Agreement or relieve the Lessee of its obligations hereunder for payment of rent or from any other of the conditions, obligations, agreements and covenants of this Agreement or with respect to any portion of the Leased Premises so transferred, assigned or subleased; and, provided further, however, that in each case the transferee, assignee or sublessee shall have sufficient financial responsibility and technical competence to conduct in an adequate manner the functions contemplated by the sublease; and provided further, however, that Lessee shall require any sublessee described in (ii) above to obtain and maintain insurance reasonably adequate to insure against risks arising from such sublessee's operations on the Leased Premises.
- (j) Recognizing the need to safeguard the City's interest in the Leased Premises and in the operation of the Health Care Facility thereon, the Lessee shall immediately notify the City of any and all legal process or other material notification concerning any judicial proceedings, including bankruptcy, or any proceeding of a quasi-judicial nature before any administrative board, commission, or other body which, in the reasonable exercise of the Lessee's best judgment, would jeopardize such interest of the City. Lessee shall also notify the City of notification of any material noncompliance with regard to Medicare, Medicaid and/or TennCare laws, to the extent such alleged noncompliance could cause the total cessation of Lessee's operation of the Leased Premises. Lessee shall be responsible for any and all

liability connected with acts or events of noncompliance with regard to Medicare, Medicaid and/or TennCare laws that occur on or after the Commencement Date.

- (k) It shall pay all charges for utility services furnished to the Leased Premises.
- (l) It shall allow the Authorized City Representative or such person's designee free access to the Leased Premises at all reasonable times for the purpose of examining the same.
- (m) It shall at all times conduct the operation of the Hospital (other than facilities not subject to accreditation) in a manner acceptable to the Joint Commission on Accreditation of Health Care Organizations or its successor, provided, however, that it need not comply with this subsection (o) if and to the extent that the Lessee's governing body shall have determined in good faith, evidenced by a resolution of the governing body, that such compliance is not in its best interests and that lack of such compliance would not materially impair the Lessee's ability to comply with the other requirements applicable to Lessee hereunder.
- (n) During the Lease Term, the Lessee's organizational documents shall provide that its Board of Directors will consist of nine (9) members, including the Hospital's Chief of Staff and Administrator and two persons designated by Lessee's sole member, with the remaining members to be representative of the community and appointed by the Lessee's sole member. Lessee's organizational documents shall provide that its Board of Directors will meet regularly and have the authority to grant medical staff privileges to physicians, assist in developing policies governing the operation of the Hospital, and make recommendations to Lessee's sole member regarding services to be offered at the Hospital, strategic and facility planning budgets, equipment and capital needs of the Hospital, and the selection and retention of the Hospital's Administrator.
- (o) Subject to applicable law, the Lessee accepts assignment of only those existing contracts of the Hospital with medical service providers and equipment suppliers as are set out on Exhibit F, hereto, and Lessee agrees to maintain the contracts set out on Exhibit F for their current terms absent default or breach thereof by the parties providing services and supplies. Any and all such contracts that are not set out on Exhibit F shall be and remain the responsibility of the City.
- (p) Upon the Commencement Date, the Lessee agrees to offer employment to the Hospital's then-current employees at wages and benefits comparable to those presently enjoyed by such employees. Both parties agree that long-term staffing decisions will be determined by Lessee. The Lessee agrees to honor prior service credit under the Hospital's current welfare benefit plans for the purpose of satisfying pre-existing conditions thereunder and for the purpose of determining eligibility and vesting in Lessee's retirement benefit plans.

- (q) During the Lease Term, the Lessee agrees to provide care to indigent patients in accordance with the policies and practices of its sole member, which indigent care shall, during the Initial Term, be at least at the same level of funding as provided by the Hospital for the fiscal year last preceding the Commencement Date.
- (r) Recognizing that another location may ultimately be more advantageous and conditions not now known or foreseen may ultimately indicate another location is more appropriate, Lessee shall construct the Replacement Hospital, if one is built within the Lease Term, within the corporate limits of the City or an annexable area of the City. If, in the opinion of Lessee's Governing Body, construction of the Replacement Hospital within the corporate limits of the City is prohibitive or not feasible, Lessee may request relief from this requirement from the City's Governing Body. If, within sixty (60) days of written notice of such request given pursuant to Article XI of this Agreement, the Governing Body of the City has not by resolution denied such request, then it shall be conclusively presumed that this Section 6.2(r) shall have no application; provided, however, in no event shall the Replacement Hospital, if one is built within the Lease Term, be built outside the boundaries of the County.

Section 6.3 Warranties and Covenants of St. Mary's. St. Mary's warrants, covenants and agrees that:

- (a) It guarantees the full and prompt performance by Lessee of all of its obligations under this Agreement.
- (b) It will monitor Lessee's compliance with Section 5.2(a), above, and, subject to the approvals of its Governing Bodies and the terms and conditions set out in Section 5.2(a), above, consent to the construction of the Replacement Hospital.
- (c) It will monitor Lessee's compliance with the Section 6.2, above, and require corrective action as necessary and appropriate.

Article VII Condemnation

In the event of a taking of all or any portion of the Leased Premises by condemnation, eminent domain or other process of any governmental authority other than the City, the Lessee shall waive any rights which it may have to any portion of the proceeds of the award for such taking, except to the extent hereinafter provided. Such proceeds shall be deposited in such lawful manner as the City shall direct and the same, at the direction of the City, shall be expended, to the extent possible, for the replacement of any portion of the Leased Premises so taken. The City, upon being notified of any action or proceeding to take all or any portion of the Leased Premises, shall immediately notify the Lessee of the pendency of such action or proceeding. If, after such taking of any portion of the Leased Premises, the remaining portion is determined by the Lessee to be

insufficient for further operation as a Health Care Facility, this Agreement shall terminate without penalty to either party hereto as of the effective date of such taking, and City shall use said proceeds to reimburse Lessee for any and all improvements made to the Leased Premises that have not been credited to Lessee as rental payments under Section 5.1 (a) and (b) and for all funds expended pursuant to Sections 5.2 (a), (b), (c), (d), and (e).

If a partial taking of the Leased Premises by condemnation, eminent domain or other process shall occur and if the Agreement does not terminate and is not otherwise terminated as provided herein, the Lessee shall be allowed a proportionate reduction in the rental herein provided to be paid to the City corresponding to the time during which and the extent to which the Lessee shall be deprived of the use and occupancy of the Leased Premises or any portion thereof.

A sale or transfer of all or any portion of the Leased Premises by City to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed a taking under the power of eminent domain for all purposes of this Article VII.

The City hereby warrants and covenants that it will take no action to condemn or take by way of eminent domain the Lessee's leasehold interest in the Leased Premises granted pursuant to this Agreement.

Article VIII Defaults and Remedies

Section 8.1. Events of Default by Lessee. The following shall be "events of default" by Lessee under this Agreement and the term "event of default" shall mean, whenever used in this Agreement with respect to Lessee, any one or more of the following events:

- (a) The Lessee shall default in the payment of any rentals hereunder and such default shall have continued for a period of ten (10) days after the same shall become payable or the Lessee shall make default in the payment of any other monies which may become payable hereunder and such default shall have continued for a period of thirty (30) days;
- (b) The Lessee shall have admitted in writing it is insolvent or shall have filed a petition asserting it is a bankrupt or shall have made an assignment for the benefit of its creditors;
- (c) Possession of all or substantially all of the Lessee's assets shall be taken by a receiver or trustee;
- (d) The Lessee shall sublease the Leased Premises or any part thereof, except as otherwise herein permitted, or the interest of the Lessee under this Agreement shall be sold, assigned, or transferred under legal process or otherwise to any other

person, firm or corporation without the prior written consent of the Governing Body as herein provided;

- (e) The Lessee shall have materially failed to perform or observe any other covenant required to be performed or observed by the Lessee under the terms of this Agreement, including but not limited to the covenant to operate a Health Care Facility on the Lease Land during the Initial Term, and the Lessee shall, within thirty (30) days after written notice thereof approved by resolution of the Governing Body and given pursuant to Article XI, below, fail to commence appropriate action in good faith to cure such failure and thereafter to prosecute the same to completion with due diligence; or,
- (f) The Lessee shall have vacated the Leased Premises.

Section 8.2. Remedies Upon Event of Default by Lessee.

- (a) Monetary Default. Whenever any Event of Default referred to in Section 8.1(a) shall have happened and shall not have been cured within fifteen (15) days after written demand is given by the City to the Lessee, in addition to any other required notice, any one or more of the following remedial steps may be taken by the City:
 - (1) City may take whatever action in law or equity may appear necessary or desirable to collect the rent then due and thereafter to become due or to enforce performance and observance of any obligation, agreement, or covenant of the Lessee under this Agreement.
 - (2) City may re-enter and take possession of the Leased Premises without terminating this Agreement and sublease the Leased Premises for the account of the Lessee, holding the Lessee liable for the amount by which the rent and other amounts payable by such sublessee in such subleasing are less than the rents and other amounts payable to the Lessee hereunder.
 - (3) City may terminate the Agreement, exclude the Lessee from possession of the Leased Premises, and use its best efforts to lease the Leased Premises to another, but holding the Lessee liable for all rent and other payments due up to the effective date of such leasing.
- (b) Nonmonetary Default. Whenever any Event of Default referred to in Section 8.1 (b) through (e) shall have occurred and shall continue for sixty (60) days following written notice thereof from the City to the Lessee, given in accordance with Article XI, the City may, at its sole option, do or cause to be done such act or thing constituting such Event of Default on behalf of the Lessee and, upon written notification to the Lessee of the cost thereof, the Lessee shall pay promptly to the City the amount of such cost.

- (c) Default Upon Vacating Premises or Failing to Operate a Health Care Facility During Initial Term. Whenever, during the Initial Term of this Agreement, an Event of Default referred to in Section 8.1 (f) or upon Lessee's failure to operate a Health Care Facility following the procedures set out in Section 8.1(e) shall have occurred and shall have continued for fifteen (15) days following written notice thereof from the City to the Lessee, given in accordance with Article XI, the Lessee shall pay to the City, as liquidated damages and in lieu of all of damages of any kind whatsoever, the sum of Two Million Dollars (\$2,000,000).

Section 8.3. Events of and Remedies Upon Default by City. It shall be an Event of Default by the City if it shall neglect or fail to perform or observe any warranties, covenants, representations, provisions, or conditions made by or required to be performed by City under the terms of this Agreement, including, without limitation, the City's failure to indemnify the Lessee as provided herein, and City shall within thirty (30) days, after written notice thereof by Lessee, fail to commence appropriate action in good faith to cure such failure and thereafter prosecute the same to completion with due diligence. The City shall be responsible to Lessee for any and all damages sustained by Lessee as a result of an Event of Default by the City, and Lessee shall have the right, in addition to all other remedies provided in this Agreement or by law, to injunctive relief; provided, further, Lessee shall have the right to cure any such Event of Default at the City's expense, including in such expense all costs and legal fees incurred to cure such Event of Default, and City shall pay promptly to the Lessee the amount of such expenditure by Lessee to cure such Event of Default by the City.

Section 8.4. Provisions Applicable to Both Parties.

- (a) Remedies Cumulative. No remedy conferred upon or reserved to either party by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. Each party shall give the other party notice in accordance with Article XI, and a reasonable opportunity to cure prior to exercising any remedy reserved to such party in this Agreement.
- (b) Attorney's Fees and Litigation Expenses. In the event a party should default under any of the provisions of this Agreement and the other party should employ attorneys or incur other expenses for the enforcement or performance or observance of any obligation or agreement on the part of either party contained in this Agreement, the defaulting party agrees that it will on demand therefor reimburse the other for the reasonable fees of such attorneys and such other expenses so incurred.

- (c) Waiver and Breach. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Article IX Termination

Section 9.1. Termination by Lessee. Provided no event of default by Lessee hereunder has occurred and is continuing, the Lessee may, by notice to the City of its decision to do so, terminate this Agreement, subject to the conditions set forth below, for any of the following reasons:

- (a) In the event legislation is enacted or by order of a duly constituted court or governmental agency, procedures may be required to be performed on the Leased Premises, which are contrary to the philosophy of the Sisters of Mercy, morally or otherwise, the Lessee, upon three (3) years' prior written notice, may terminate this Agreement, and, during the period between the giving of such notice and the termination of the Agreement, the Lessee shall not be obligated to perform such procedures and the failure on the part of the Lessee to perform such procedures shall not constitute a breach of this Agreement; provided, however, that City may terminate this Agreement upon ninety (90) days' written notice to Lessee of its intent to do so if City would be in violation, in any material respect, of any statute or law as a result of Lessee's failure to perform such procedures; provided further, however, said ninety (90) day period shall be extended if, either before the giving of such notice by City or within ninety (90) days thereafter, Lessee has, in good faith, commenced an action in a court of competent jurisdiction to challenge the validity or applicability of such law, statute or order to Lessee's operation of the Hospital, and such extension shall continue until Lessee's action has been finally adjudicated and no appeal has been taken or the time for taking an appeal has expired; provided, further, however, Lessee shall indemnify and hold City harmless from and against any and all liabilities incurred or suffered by City arising from City's inability to terminate this Agreement during the period Lessee is so challenging such law, statute, or order. During such three-year period, the City and the Lessee shall jointly and diligently undertake and use their respective best efforts to find a successor or make other arrangements to take over the operation of the Leased Premises so as to permit the Lessee to terminate this Agreement at the earliest possible date within such three-year period.
- (b) The Lessee may, at its option, terminate this Agreement if the Leased Premises are destroyed or materially damaged and not repaired, reconstructed or replaced or if title to or the use of the Leased Premises or any material part thereof is taken under exercise of the power of condemnation, eminent domain or other process and not replaced or restored.

- (c) The Lessee may, at its option, terminate this Agreement upon its purchase of the Leased Premises pursuant to the exclusive option set out in Section 3.2, above. Such termination shall be effective as of the closing of Lessee's purchase of the Leased Premises.

Section 9.2. Termination by City. The City may only terminate this Agreement upon the occurrence and continuation of an event of default under Section 8.1, above.

Section 9.3. Reversion of Leased Premises to City. Upon termination of this Agreement, by either the City or the Lessee, for any reason, other than the reason set out in Section 9.1 (c), above, the Leased Premises, including all replacement and additional furnishings and equipment installed or placed in or on the Leased Premises before termination, shall revert to the City.

Article X

Release and Indemnity

Section 10.1. Indemnification of City. Lessee releases the City from, agrees that the City shall not be liable for, and agrees to hold the City, its officers, employees and agents and the members of the Governing Body of the City, harmless against, any and all losses, liabilities, damages, costs (including court costs and cost of appeal) and expenses (including reasonable attorneys' and experts' fees) that the City incurs as a result of or with respect to (i) any inaccuracy in any of the representations made by the Lessee in this Agreement; (ii) any material breach or non-fulfillment of any covenants or warranties made by the Lessee in this Agreement; and (iii) any loss or damage to property or any loss for injury to or death of any person or any other loss or damage that may be occasioned by any cause whatsoever pertaining to the Leased Premises or the use thereof provided that the sole cause or the substantial contributing cause thereof occurs on or after the Commencement Date; and provided further, that this indemnification shall be effective only to the extent of any loss that may be sustained by the City or its officers, employees or agents or the members of such Governing Body in excess of the proceeds from any insurance policy maintained by the Lessee pursuant to this Agreement and received by the City with respect to the loss sustained. The Lessee further agrees to indemnify and hold harmless the City and its officers, employees and agents and the members of such Governing Body against and from any and all cost, liability, expenses, including, without limitation, reasonable attorneys' fees, and claims arising from the acquisition, construction, installation or improvement of any facilities or other improvements in and about the Leased Premises, or arising from any act or negligence of or failure to act by the Lessee or any of its agents, contractors, servants, employees, or licensees, or arising from any accident, injury or damage whatsoever caused to any person, firm or corporation occurring during the Lease Term in or about the Leased Premises, and from and against all cost, liability and expenses incurred in or in connection with any such claim.

Section 10.2. Indemnification of Lessee. The City releases the Lessee from, agrees that the Lessee shall not be liable for, and agrees to hold the Lessee, its officers, employees, agents, and the members of its Board of Directors, harmless from any and all losses, liabilities, damages, costs (including court costs and cost of appeal) and expenses (including reasonable attorneys' and experts'

fees) that the Lessee incurs as a result of or with respect to (i) any inaccuracy in any of the representations made by the City in this Agreement; (ii) any material breach or non-fulfillment of any covenants or warranties made by the City in this Agreement; and (iii) any and all litigation, claims or disputes, whether or not pending at the Commencement Date, asserted or unasserted, known or unknown, including, but not being limited to, any professional liability, other tort, or contract claims that are related to, concern, or arise out of any incident, occurrence, act, or omission occurring before the Commencement Date of this Agreement. In the event the Lessee is made a party to any proceeding to which it is entitled to indemnification under this Section 10.2, Lessee shall have the right to appear in such proceeding for itself and the City and shall, at the City's expense, obtain appropriate representation for the proceeding and otherwise direct the defense of any such litigation, claims, or disputes.

Article XI Notices

Any notice or notification specified in this Agreement to be given to the Lessee, St. Mary's, or the City shall be deemed effective upon the earlier of actual delivery or three (3) days following the date such notice shall have been mailed by United States certified mail, postage prepaid, addressed to the Lessee or to the City, respectively, as follows:

City: Mayor of the City of LaFollette
205 South Tennessee Avenue
LaFollette, TN 37766

Lessee: Mr. Richard C. Williams
Vice-Chairman and President
LaFollette Medical Center, Inc.
900 E. Oak Hill
Knoxville, TN 37917-4556

St. Mary's: Mr. Richard C. Williams
President and CEO
St. Mary's Health System, Inc.
900 E. Oak Hill
Knoxville, TN 37917-4556

Either the City or the Lessee may, however, from time to time by notice in writing to the other party establish an addressee or an address differing from the foregoing for the purpose of giving notice or notification under this Agreement. Any notice or notification specified in this Agreement to be given to the Lessee shall also contemporaneously be given to St. Mary's.

Article XII
Miscellaneous Provisions

Section 12.1 Arbitration. Except as specifically modified by this Section 12.1, any controversy or claim arising out of or relating to this Agreement or its breach, including, without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration before and in accordance with the commercial arbitration rules of the American Arbitration Association ("AAA"). The provisions of this Section 12.1 will be construed as independent of any other covenant or provision of this Agreement; provided that, if a court of a competent jurisdiction determines that these provisions are unlawful in any way, the court may modify or interpret them to the minimum extent necessary to have them comply with the law. Judgment upon an arbitration award may be entered in any court located in Knoxville, Tennessee, having competent jurisdiction and will be binding, final and non-appealable. The parties hereby waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute, each shall be limited to the recovery of actual damages sustained. This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. In the event either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding that failure to appear. Arbitration will take place in Knoxville, Tennessee, and, all controversies shall be governed by and construed under the laws of the state of Tennessee. The obligation to arbitrate will not be binding upon claims relating to the violation or alleged violation of the covenant not to compete set out in Section 6.1(j), above; claims relating to the exclusive purchase option set out in Section 3.2, above; or, requests by either party for temporary restraining orders, preliminary injunctions or other equitable procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable harm or injury pending resolution by arbitration of the actual dispute between the parties.

Section 12.2. Acceptance of Federal Funding. The City and the Lessee shall have full power and authority, jointly and severally, to accept federal funds for the improvement of the Leased Premises.

Section 12.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof or such otherwise invalid provision under circumstances other than those under which it was determined to be invalid, except to the extent that such other provision is wholly dependent for its operation upon the part declared to be invalid, and to that end the provisions hereof are agreed and declared to be severable.

Section 12.4. Immunity of Officers and Directors, Etc. No recourse shall be had on any obligation, covenant or agreement in this Agreement against any past, present or future incorporator, official, officer, director, or employee of the City or the Lessee, as such, either directly or indirectly, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporators, officials, officers, directors,

or employees as such, is hereby expressly waived and released as a condition of and consideration for the execution and delivery of this Agreement.

Section 12.5. Amendments and Modifications. This Agreement shall not be amended or modified except by a written instrument signed by the duly authorized representatives of each of the parties hereto.

Section 12.6. Captions. The titles of articles, sections, subsections, or paragraphs herein are solely for the convenience of the parties and shall not be used to explain, limit, expand, modify, simplify, or aid in the interpretation of the provisions of this Agreement.

Section 12.7. Assignments. Except as herein otherwise expressly provided, no party hereto may assign or otherwise transfer its rights or obligations hereunder without the prior written consent of the other parties hereto.

Section 12.8. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and the transactions hereby contemplated. Any prior understandings, proposals, or representations of any kind shall not be binding upon either party except to the extent incorporated in this Agreement.

Section 12.9. Governing Law. This Agreement shall be governed by and construed in accordance with the Constitution, laws and regulations of the State of Tennessee without regard to provisions with respect to conflicts or choices of law.

Section 12.10. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[The balance of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the day and date first above written.


CITY:

LESSEE:


THE CITY OF LaFOLLETTE,
TENNESSEE

LaFOLLETTE MEDICAL CENTER, INC.

By:


Clifford Jennings, Mayor

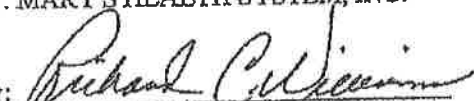
By:


Richard C. Williams, Vice-Chairman
and President

ST. MARY'S:

ST. MARY'S HEALTH SYSTEM, INC.

By:

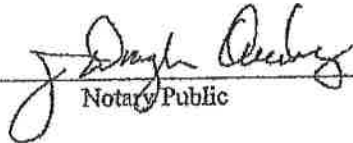

Richard C. Williams, President and CEO

ACKNOWLEDGMENTS

STATE OF TENNESSEE }
COUNTY OF CAMPBELL }

Before me, a Notary Public in the State and County aforesaid, personally appeared Clifford Jennings, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged himself to be the incumbent Mayor of the City of LaFollette, Tennessee, and that he as such incumbent Mayor, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing his name as the incumbent Mayor of the City of LaFollette, Tennessee.

WITNESS my hand and official seal at office this 27th day of April, 2000.


Notary Public

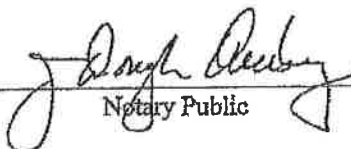
My commission expires:

May 6, 2001

STATE OF TENNESSEE }
COUNTY OF CAMPBELL }

Personally appeared before me, a Notary Public in the State and County aforesaid, Richard C. Williams, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, under oath, acknowledged himself to be the Vice-Chairman of the Board of Directors and President of LaFollette Medical Center, Inc., the within-named bargainor, a corporation, and that he as such Vice-Chairman of the Board of Directors and President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice-Chairman of the Board of Directors and President.

WITNESS my hand and official seal at office this 27th day of April, 2000.


Notary Public

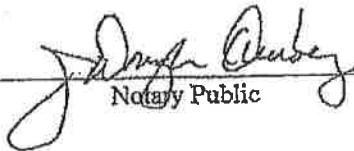
My commission expires:

May 6, 2001

STATE OF TENNESSEE }
COUNTY OF CAMPBELL }

Personally appeared before me, a Notary Public in the State and County aforesaid, Richard C. Williams, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, under oath, acknowledged himself to be the President and CEO of St. Mary's Health System, Inc., the within-named bargainer, a corporation, and that he as such President and CEO being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as President and CEO.

WITNESS my hand and official seal at office this 27th day of April, 2000.



Notary Public

My commission expires:

May 6, 2001

April 27, 2000/ 1:01 pm
S:\RIONDO\ST-MARY\LAFOLLET\Agreements\4.27.00.sn.wpd
jdo

Exhibits to Original Lease omitted from this copy of the Lease.

EXHIBITS TO LEASE AND PURCHASE OPTION AGREEMENT

Table of Contents

- A. Leased Land
 - 1. Multiple Deeds Covering Real Estate Being Leased
 - 2. Preliminary Survey (to be refined to cover)
- B. Leased Equipment
- C. Net Work Capital
- D. Excluded Assets
- E. Hospital Equipment Leases
 - 1. Finova
 - 2. Pitney Bowes
 - 3. Panasonic Credit Company
 - 4. Datascope Corp
 - 5. General Electric Company
- F. Contracts Assigned to Lessee
- G. Assignment and Assumption Agreement

EXHIBIT "B"

Guaranty

GUARANTY

RE: Lease and Purchase Option Agreement between THE CITY OF LAFOLLETTE, TENNESSEE, a city organized and existing as a governmental unit under the laws of the State of Tennessee, (the "Lessor"), and LAFOLLETTE MEDICAL CENTER, INC., and MERCY HEALTH PARTNERS, INC. (collectively, the "Lessee"), dated April 27, 2000, as amended by that certain First Amendment to Lease Agreement which is anticipated in connection with the assignment of said Lease and Purchase Option Agreement (the "Lease").

FOR VALUE RECEIVED and in consideration for, and as an inducement to the Lessor for entering into the above referenced First Amendment to Lease Agreement to which this Guaranty is attached, the undersigned, jointly and severally, hereby unconditionally guarantee to the Lessor, its successors and assigns, the prompt payment of rent and all other monetary obligations under the Lease (including without limitation attorneys' fees and costs incurred by Lessor in connection with the enforcement of the Lease or this Guaranty) and the full performance and observance of all the covenants, conditions, and agreements therein provided to be performed and observed by the Lessee, its successors and assigns, and expressly agree that the validity of this Guaranty and the obligations of the Guarantor hereunder shall in no wise be terminated, affected, or impaired by reason of the assertion by the Lessor against the Lessee of any of the rights or remedies reserved to the Lessor pursuant to the provisions of the Lease, or by reason of the waiver by the Lessor of, or the failure of the Lessor to enforce, any of the terms, covenants, and conditions of the Lease, or the granting of any indulgence or extension of time to the Lessee, all of which may be given or done without notice to the Guarantor.

The undersigned further covenants and agrees that this Guaranty shall remain and continue in full force and effect as to any amendment, modification, renewal, or extension by the Lessee of the Lease, to all of which the undersigned hereby consents in advance, and as to which the undersigned expressly waives any notices.

Jurisdiction and venue of any action to enforce this Guaranty shall be in Campbell County, State of Tennessee.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be duly executed this 1ST day of OCTOBER, 2011.

KNOXVILLE HMA HOLDINGS, LLC, Guarantor


By: 
Name: Timothy R. Pardy
Title: SR. VICE PRESIDENT

EXHIBIT "C"
Undeveloped Land

SITUATED in District Three of Campbell County, Tennessee, within the corporate limits of the City of LaFollette, Tennessee, and being more particularly bounded and described as follows:

BEGINNING at an iron pin set in the northwest right of way line of New Appalachian Highway (aka Highway 25W, and aka State Route 9), corner to property of University of Tennessee Medical (Deed Book 360, page 85); thence from said beginning point and with the northwest right of way line of New Appalachian Highway, four calls and distances as follows: South 43 deg. 41 min. 27 sec. West, 25.92 feet to a point; South 43 deg. 41 min. 27 sec. West, 265.07 feet to highway monument "C"; North 45 deg. 50 min. 29 sec. West, 5.15 feet to highway monument "B"; and South 43 deg. 21 min. 18 sec. West, 309.50 feet to an iron pin set corner to property being retained by E. F. Wheeler; thence with new severance line with E. F. Wheeler, North 40 deg. 41 min. 26 sec. West, 375.92 feet to an iron pin set; thence continuing with the line of Wheeler, South 43 deg. 23 min. 27 sec. West, 167.10 feet to an iron pin set in the line of property of Robert L. Woodson III (Deed Book 412, page 123); thence with line of Woodson, North 30 deg. 29 min. 19 sec. West, 888.74 feet to an iron pin; thence continuing with said line, North 35 deg. 20 min. 52 sec. West, 20.79 feet to an iron pin in the line of Lot 6A, Big Springs Subdivision; thence with line of Lot 6A and 7A, Big Springs Subdivision, North 47 deg. 25 min. 37 sec. East, 101.84 feet to an iron pin, corner to Lot 8A; thence with the line of Lot 8A, North 56 deg. 59 min. 26 sec. East, 141.00 feet to an iron pin, corner to property of Tennessee State University and Community College (Deed Book 401, page 785); thence with the line of said property, South 37 deg. 16 min. 19 sec. East, 201.12 feet to an iron pin; thence continuing with said line, North 47 deg. 10 min. 06 sec. East, 453.00 feet to an iron pin in the southwest right of way line of Independence Lane; thence with the southwest right of way line of Independence Lane, South 43 deg. 28 min. 40 sec. East, 137.95 feet to an iron pin; thence South 54 deg. 05 min. 09 sec. East, 330.63 feet to an iron pin, corner to property of University of Tennessee Medical (Deed Book 360, page 85); thence with line of said property, three calls and distances as follows: South 54 deg. 14 min. 00 sec. West, 143.98 feet to an iron pin; South 35 deg. 52 min. 01 sec. East, 549.92 feet to an iron pin; and South 30 deg. 20 min. 29 sec. East, 5.34 feet to an iron pin, said iron pin marking the place of BEGINNING; and being according to the survey of Tony W. Crutchfield, Tennessee RLS #1788, of Crutchfield Surveys, P.O. Box 292, Jacksboro, TN 37757, dated September 23, 2005, and revised January 10, 2007.

BEING the same property conveyed to E. F. Wheeler, Jr., by the following deeds:

- (1) Deed from Wanda D. Jackson, dated August 14, 1997, of record in Deed Book 348, page 826;
- (2) Deed from Joyce D. Webb, dated August 14, 1997, of record in Deed Book 348, page 830; and
- (3) Deed from K. Lynn Davis, dated August 30, 2000, of record in Deed Book 374, page 386, all in the Campbell County Register's Office.
- (4) Deed from Carlock Myers and wife, Nellie M. Myers, dated February 21, 1998, of record in Deed Book 353, page 21, in the Campbell County Register's Office.

GUARANTY

RE: Lease and Purchase Option Agreement between THE CITY OF LAFOLLETTE, TENNESSEE, a city organized and existing as a governmental unit under the laws of the State of Tennessee, (the "Lessor"), and LAFOLLETTE MEDICAL CENTER, INC., and MERCY HEALTH PARTNERS, INC. (collectively, the "Lessee"), dated April 27, 2000, as amended by that certain First Amendment to Lease Agreement which is anticipated in connection with the assignment of said Lease and Purchase Option Agreement (the "Lease").


FOR VALUE RECEIVED and in consideration for, and as an inducement to the Lessor for entering into the above referenced First Amendment to Lease Agreement to which this Guaranty is attached, the undersigned, jointly and severally, hereby unconditionally guarantee to the Lessor, its successors and assigns, the prompt payment of rent and all other monetary obligations under the Lease (including without limitation attorneys' fees and costs incurred by Lessor in connection with the enforcement of the Lease or this Guaranty) and the full performance and observance of all the covenants, conditions, and agreements therein provided to be performed and observed by the Lessee, its successors and assigns, and expressly agree that the validity of this Guaranty and the obligations of the Guarantor hereunder shall in no wise be terminated, affected, or impaired by reason of the assertion by the Lessor against the Lessee of any of the rights or remedies reserved to the Lessor pursuant to the provisions of the Lease, or by reason of the waiver by the Lessor of, or the failure of the Lessor to enforce, any of the terms, covenants, and conditions of the Lease, or the granting of any indulgence or extension of time to the Lessee, all of which may be given or done without notice to the Guarantor.

The undersigned further covenants and agrees that this Guaranty shall remain and continue in full force and effect as to any amendment, modification, renewal, or extension by the Lessee of the Lease, to all of which the undersigned hereby consents in advance, and as to which the undersigned expressly waives any notices.

Jurisdiction and venue of any action to enforce this Guaranty shall be in Campbell County, State of Tennessee.

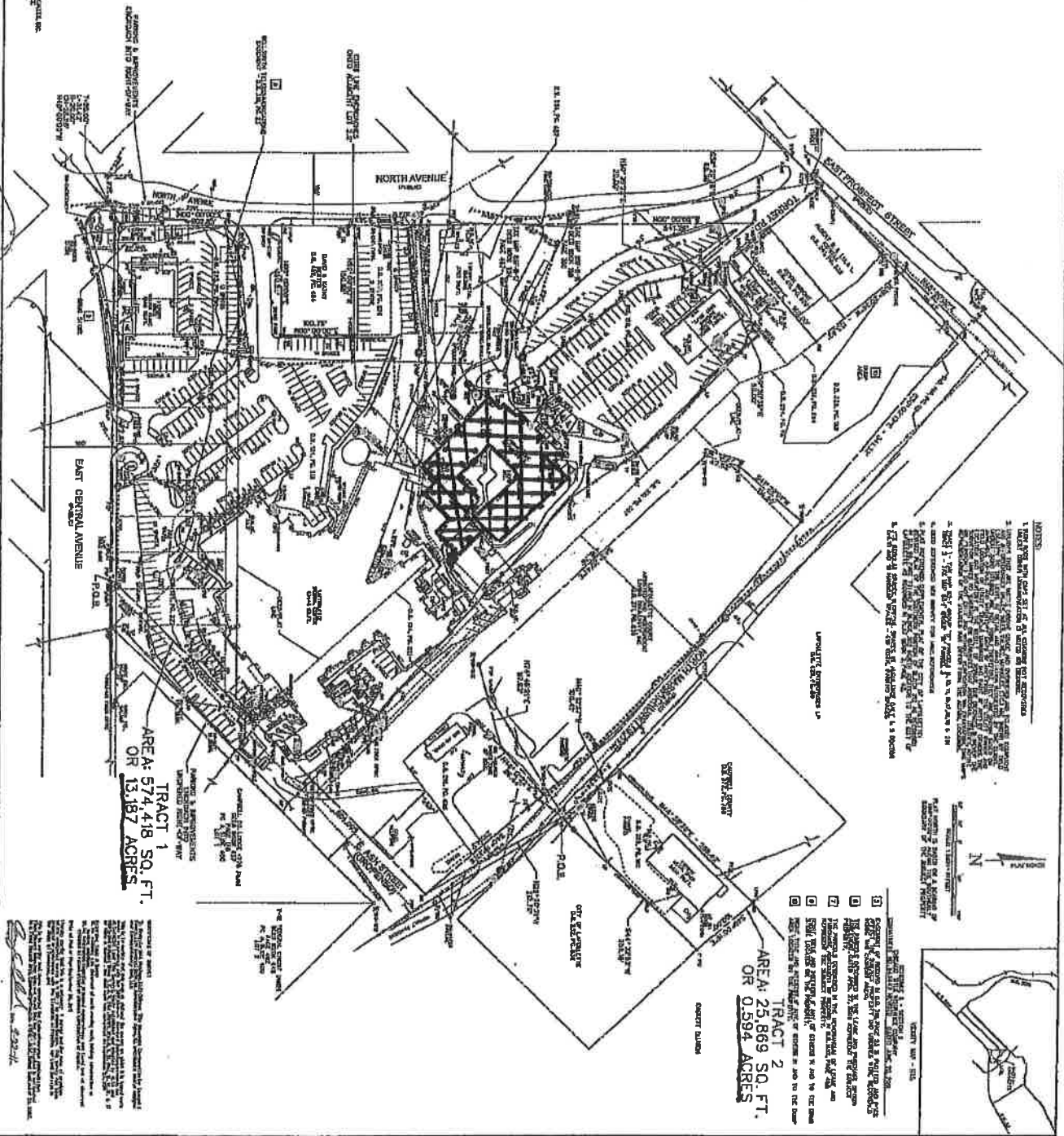
IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be duly executed this 1st day of OCTOBER, 2011.

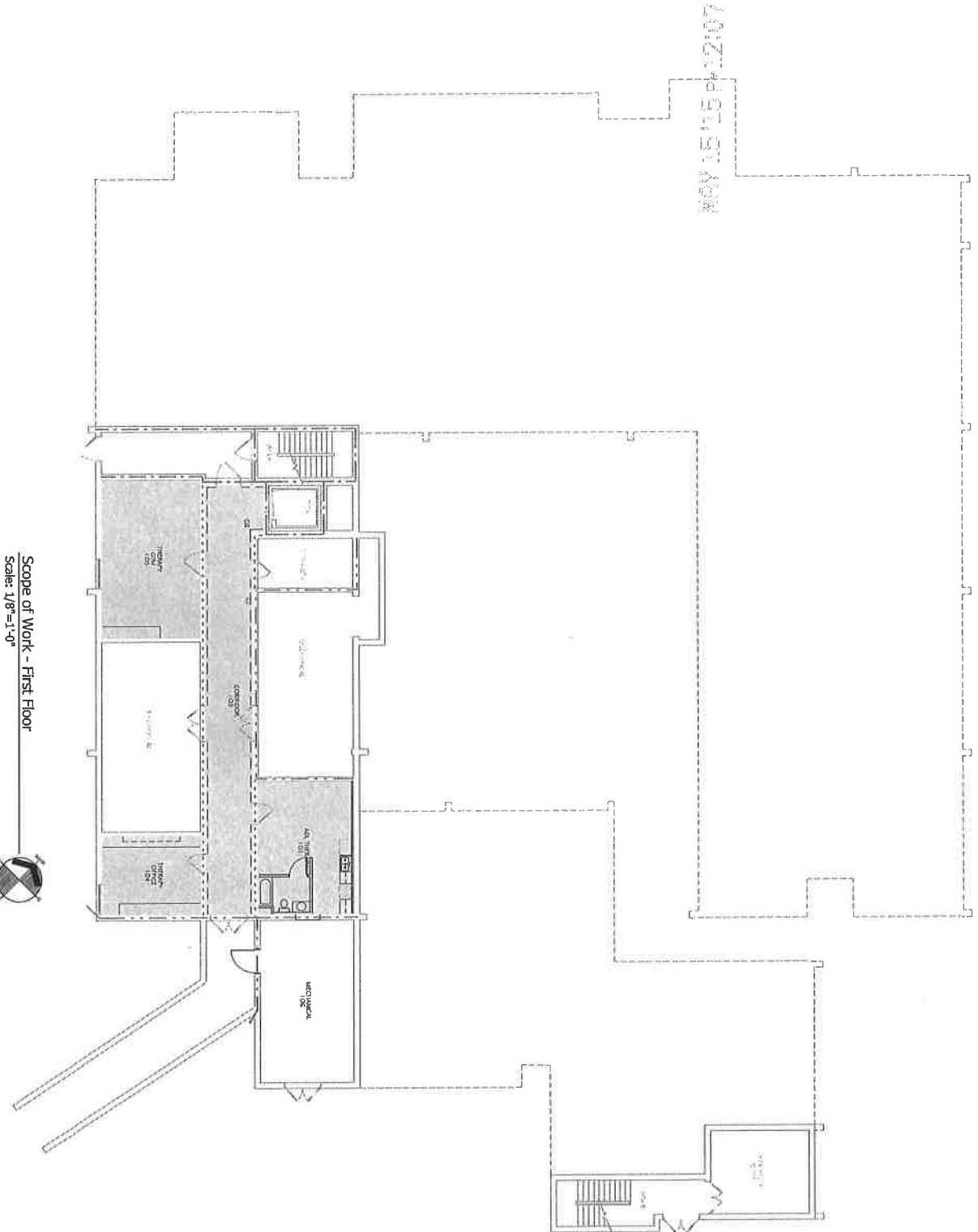
KNOXVILLE HMA HOLDINGS, LLC, Guarantor

By: 
Name: Timothy R. Pichey
Title: SR. VICE PRESIDENT



MISSOURI
 DEPARTMENT OF REVENUE
 DIVISION OF LAND SURVEYING
 1000 EAST CENTRAL AVENUE
 COLUMBIA, MISSOURI 65201-1000
 (620) 325-1000





Attachment B, IV

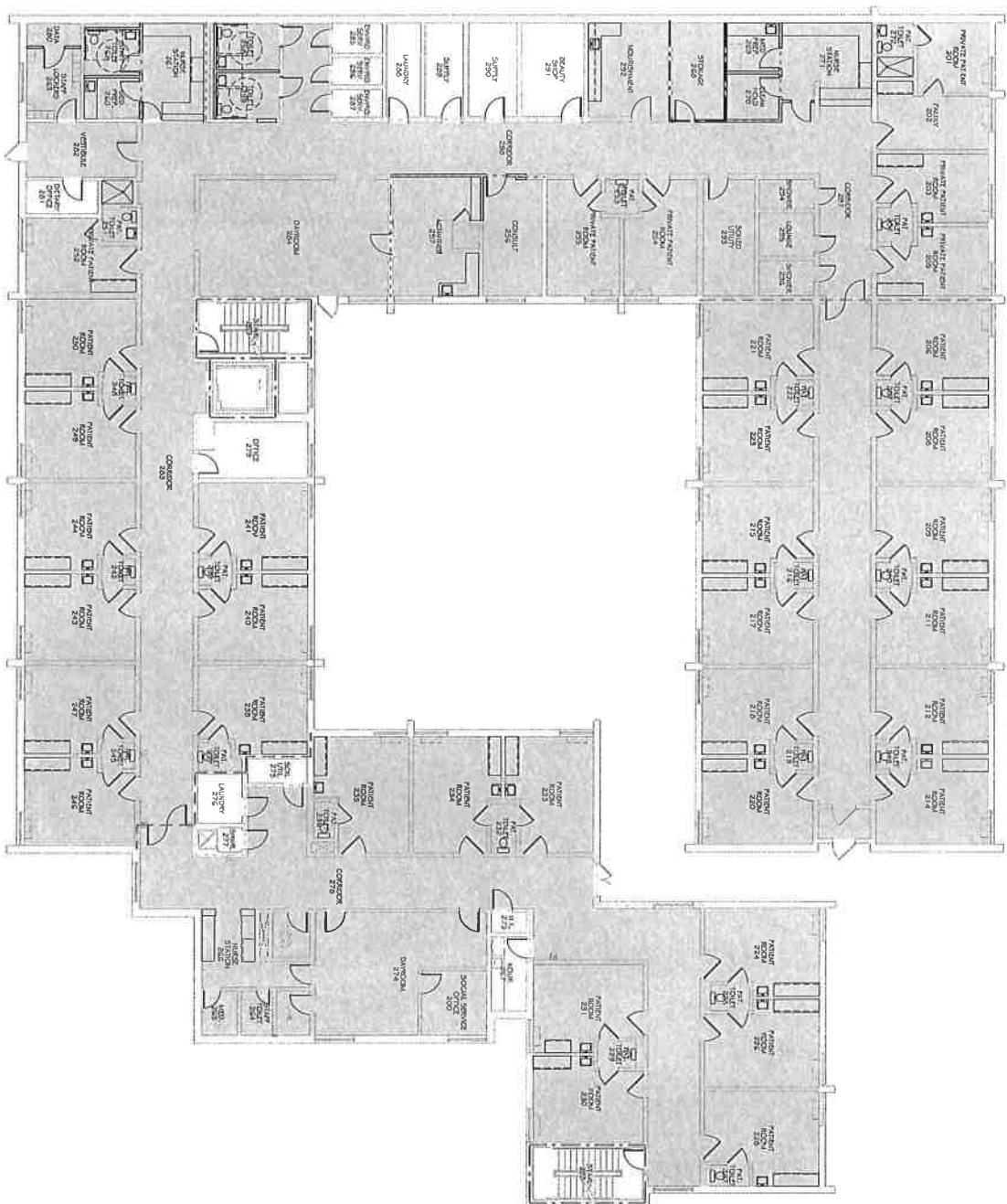
Lafayette Medical Center
 - Health and Rehab
 Location: Tennessee
 Scope of Work - First Floor
 Revision:



BCLT
 Bing, Chao, Lerner, Thorne
 Architecture • Design • Planning

LMH
 ARCHITECTURE
 12111 Crest Lane Road Suite 20
 New Albany, Indiana 47150
 (317) 941-3444
 (317) 941-3444
 (317) 941-3444

Project Number: 1405
 Date: January 9, 2015
 Spec Number: dd1.0



Scope of Work - Second Floor
Scale: 1/8"=1'-0"



Lafayette Medical Center
- Health and Rehab
Lafayette Tennessee

Scope of Work - Second
Floor

Revisions



BCCT
ARCHITECTURE
3711 Grant Line Road Suite 10
New Albany, Indiana 47150
(812) 944-2322
(812) 944-1122

BCCT
ARCHITECTURE
3711 Grant Line Road Suite 10
New Albany, Indiana 47150
(812) 944-2322
(812) 944-1122



BCCT
ARCHITECTURE
3711 Grant Line Road Suite 10
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(812) 944-2322
(812) 944-1122

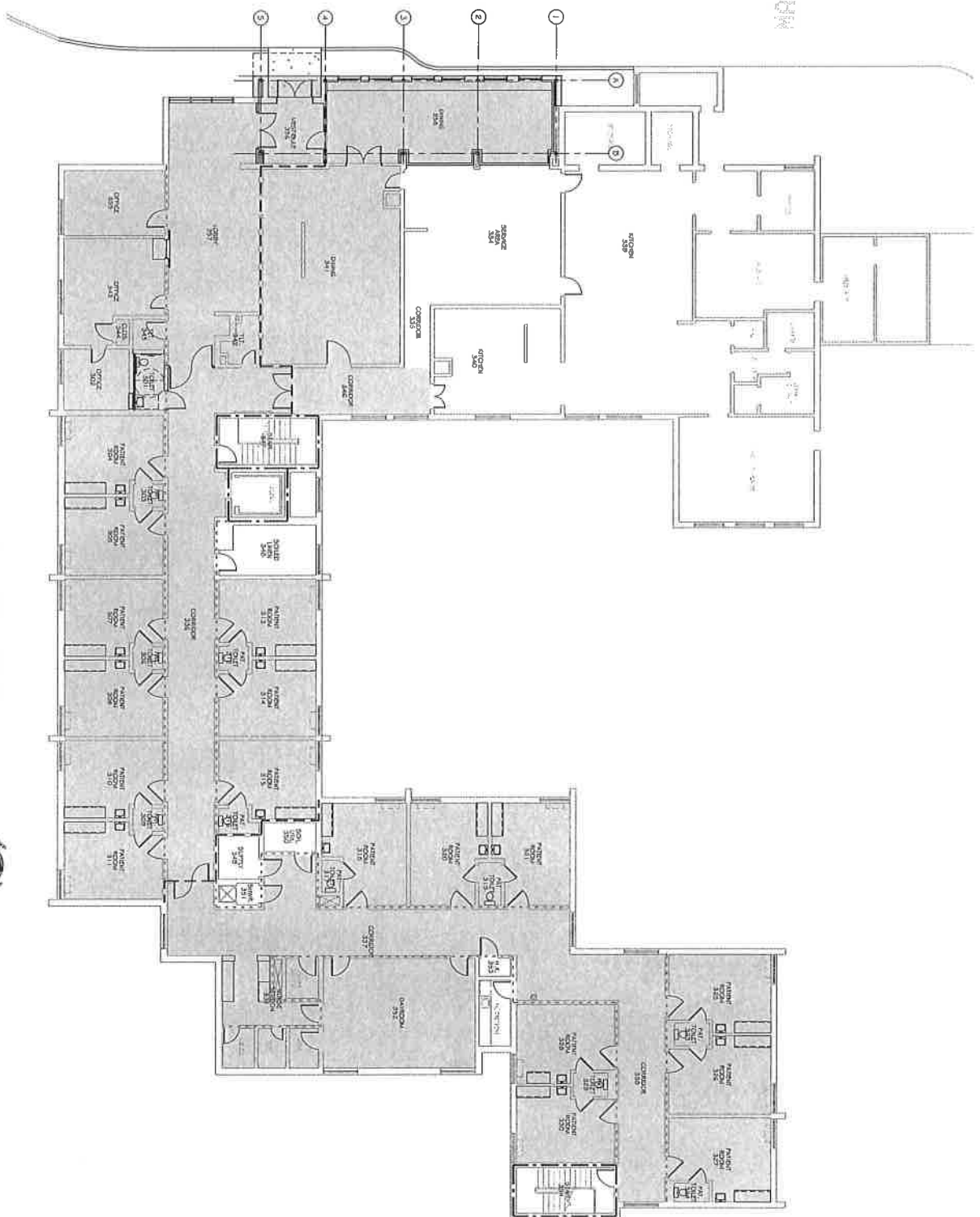
Project Number

DATE 01/09/2015

January 9, 2015
Sheet Number

dd2.0

30-27-00-000



Scope of Work - Third Floor
Scale: 1/8"=1'-0"



LaFollette Medical Center
- Health and Rehab
- Building
- Third Floor

Scope of Work - Third Floor

Revisions



BCCIT
Buckeye Community College Institute of Technology
1000 West Main Street, Suite 100
Louisville, Kentucky 40203
(502) 261-2272
(502) 261-2273
(502) 261-2274

IMH ARCHITECTURE
1111 West Main Street, Suite 100
New Albany, Indiana 47150
(317) 812-2272
(317) 812-2273
(317) 812-2274

Project Number: 1406
Date: 01/09/2015

January 9, 2015
Sheet Number: dd3.0

POPULATION AND DEMOGRAPHICS OF SERVICE AREA		
Variable	Campbell County	State of Tennessee
Current Year (2014), Age 65+	7,614	981,984
Projected Year (2016), Age 65+*	7,883	1,042,071
Age 65+, % Change	3.5%	6.1%
Age 65+, % Total (PY)	18.7%	15.5%
CY, Total Population	41,474	6,588,698
PY, Total Population	42,056	6,710,579
Total Pop. % Change	1.4%	1.8%
TennCare Enrollees (April, 2015)	12,827	1,399,007
TennCare Enrollees as a % of Total Population(CY)	30.9%	21.2%
Median Age (2010)	42	38
Median Household Income ('09-'13)	\$31,943	\$44,298
Population % Below Poverty Level ('09-'13)	23.8%	17.6

Sources: Population, <http://health.state.tn.us/statistics/CertNeed.shtml>;
TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles
website; Income and poverty level, Census Bureau QuickFacts.

SERVICE AREA NURSING HOME UTILIZATION

Nursing Home	County	Licensed Beds	Patient Days 2011	Average Occupancy 2011	Patient Days 2012	Average Occupancy 2012	Patient Days 2013	Average Occupancy 2013	% Change 2011-2013
Beech Tree Manor	Campbell	110	36,254	90%	34,302	85%	32,180	80%	-11.2%
Cumberland Village Care Genesis Healthcare	Campbell	182	61,454	93%	60,559	91%	59,659	90%	-2.9%
Tennova LaFollette Health & Rehab Center	Campbell	98	33,397	93%	34,137	95%	31,136	87%	-6.8%

Laughlin Millea Hillman

**Architecture
Planning
Design**



April 28, 2015

Mr. Keith Kizzire
Lafollette Medical Center
923 East Central Avenue
Lafollette, TN 37766

Re: **Project Budget**
Health and Rehab Center Renovation
com.1406

Mr. Kizzire,

We have received the following budget estimate for the estimated construction costs for the renovation project noted above. This letter is to verify that we have reviewed the estimates and in our professional opinion find them to be reasonable, based on current pricing for projects of this scope. The estimated costs are as follows:

Construction Cost Estimate \$2,383,663.00

This construction cost value is based on 26,350 square feet of renovation scope. Applicable codes utilized for this project/facility are:

- 2012 International Building Code
- 2012 International Mechanical Code
- 2012 International Plumbing Code
- 2012 International Fuel and Gas Code
- 2012 NFPA 101 – Life Safety Code
- 2010 FGI Guidelines for Design and Construction of Healthcare Facilities
- 2011 National Electrical Code
- 2005 US Public Health Food Code
- 2010 Americans with Disabilities Act
- 1999 North Carolina Handicapped Accessibility Code with 2004 Amendments

Kentucky
819 West Main Street, Fourth Floor
Louisville, Kentucky 40202
[p] 502.581.0570
[f] 502.581.0670

Indiana
3211 Grant Line Road, Suite 30
New Albany, Indiana 47150
[p] 812.944.2222
[f] 812.944.1122

www.lmharchitecture.com

**Attachment C, II, Economic
Feasibility, 1**

April 28, 2015

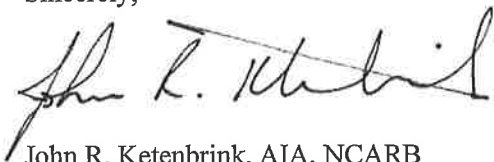
Mr. Kizzire

Lafollette Medical Center
Health and Rehab Center Renovation
com.1406

Page 2

Please feel free to contact our office if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "John R. Ketenbrink". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John R. Ketenbrink, AIA, NCARB
Principal
LMH Architecture, LLC



May 11, 2015

State of Tennessee
Health Services and Development Agency
Andrew Jackson State Office Building
Nashville TN 37243

RE: Certificate of Need Application / Operating Room Renovation
Credit Worthiness
Regional Hospital of Jackson, TN

To Whom It May Concern:

CHS / Community Health Systems, Inc. the parent of Jackson, Tennessee Hospital Company LLC d/b/a Regional Hospital of Jackson has internal funds available for the commitment to the aforementioned project, with an approximate project cost of \$8,865,000 for operating room renovation.

CHS/Community Health Systems, Inc. had cash flow from operating activities of \$1,615 million in its fiscal year ended 12/31/14 and currently maintains a \$1,000 million revolving credit facility with current availability of \$812 million as of 5/1/15 to fund future cash needs. CHS / Community Health Systems, Inc. is committed to the project cost and will advance funds as necessary to complete the renovation.

Please do not hesitate to reach out if you need additional information. I can be reached at 615-465-7191 or anita_passarella@chs.net.

Regards,

A handwritten signature in black ink, appearing to read "Anita Passarella", written over a horizontal line.

Anita H. Passarella
Director Cash Management Treasury

COMMUNITY
HEALTH
SYSTEMS

4000 Meridian Boulevard
Franklin, TN 37067
Tel: (615) 465-7000

P.O. Box 689020
Franklin, TN 37068-9020

Attachment C, II, Economic
Feasibility, 2

RUG Rates Effective 10-01-2014

AAA	156.76	RHA	281.00
BA1	170.40	RHB	319.19
BA2	178.58	RHC	354.65
BB1	205.85	RHL	450.11
BB2	215.41	RHX	504.66
CA1	189.49	RLA	195.18
CA2	203.13	RLB	302.92
CB1	222.23	RLX	406.56
CB2	239.95	RMA	240.65
CC1	239.95	RMB	292.47
CC2	259.04	RMC	311.56
CD1	270.32	RML	424.75
CD2	295.87	RMX	462.93
CE1	287.68	RUA	396.69
CE2	312.23	RUB	474.43
ES1	399.51	RUC	474.43
ES2	447.24	RUL	612.17
ES3	571.34	RUX	625.80
HB1	282.23	RVA	351.09
HB2	336.77	RVB	352.45
HC1	284.95	RVC	407.00
HC2	340.87	RVL	499.73
HD1	301.32	RVX	557.02
HD2	361.32		
HE1	320.41		
HE2	385.87		
LB1	238.59		
LB2	280.87		
LC1	249.50		
LC2	295.87		
LD1	282.23		
LD2	336.77		
LE1	293.13		
LE2	350.42		
PA1	156.76		
PA2	163.58		
PB1	189.49		
PB2	197.68		
PC1	222.23		
PC2	233.13		
PD1	257.68		
PD2	271.32		
PE1	274.04		
PE2	271.32		

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2014	2013	2012
	(In millions, except share and per share data)		
Operating revenues (net of contractual allowances and discounts)	\$ 21,561	\$ 14,853	\$ 14,747
Provision for bad debts	2,922	2,034	1,914
<i>Net operating revenues</i>	<u>18,639</u>	<u>12,819</u>	<u>12,833</u>
<i>Operating costs and expenses:</i>			
Salaries and benefits	8,618	6,107	5,992
Supplies	2,862	1,975	1,953
Other operating expenses	4,322	2,818	2,807
Government settlement and related costs	101	102	—
Electronic health records incentive reimbursement	(259)	(162)	(123)
Rent	434	279	264
Depreciation and amortization	1,106	771	714
Amortization of software to be abandoned	75	—	—
<i>Total operating costs and expenses</i>	<u>17,259</u>	<u>11,890</u>	<u>11,607</u>
<i>Income from operations</i>	<u>1,380</u>	<u>929</u>	<u>1,226</u>
Interest expense, net of interest income of \$5, \$3 and \$3 in 2014, 2013 and 2012, respectively	972	613	621
Loss from early extinguishment of debt	73	1	115
Equity in earnings of unconsolidated affiliates	(48)	(43)	(42)
Impairment of long-lived assets	41	12	10
Income from continuing operations before income taxes	342	346	522
Provision for income taxes	82	104	164
Income from continuing operations	<u>260</u>	<u>242</u>	<u>358</u>
<i>Discontinued operations, net of taxes:</i>			
Loss from operations of entities sold or held for sale	(7)	(21)	(12)
Impairment of hospitals sold or held for sale	(50)	(4)	—
Loss from discontinued operations, net of taxes	<u>(57)</u>	<u>(25)</u>	<u>(12)</u>
<i>Net income</i>	<u>203</u>	<u>217</u>	<u>346</u>
Less: Net income attributable to noncontrolling interests	111	76	80
Net income attributable to Community Health Systems, Inc. stockholders	<u>\$ 92</u>	<u>\$ 141</u>	<u>\$ 266</u>
<i>Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>			
Continuing operations	\$ 1.33	\$ 1.80	\$ 3.11
Discontinued operations	(0.51)	(0.27)	(0.13)
Net income	<u>\$ 0.82</u>	<u>\$ 1.52</u>	<u>\$ 2.98</u>
<i>Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>			
Continuing operations	\$ 1.32	\$ 1.77	\$ 3.09
Discontinued operations	(0.51)	(0.27)	(0.13)
Net income	<u>\$ 0.82</u>	<u>\$ 1.51</u>	<u>\$ 2.96</u>
<i>Weighted-average number of shares outstanding</i>			
Basic	111,579,088	92,633,332	89,242,949
Diluted	<u>112,549,320</u>	<u>93,815,013</u>	<u>89,806,937</u>

(1) Total per share amounts may not add due to rounding.

See notes to the consolidated financial statements.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013 (in millions)	2012
Net income	\$ 203	\$ 217	\$ 346
Other comprehensive income (loss), net of income taxes:			
Net change in fair value of interest rate swaps, net of tax of \$7, \$34 and \$26 for the years ended December 31, 2014, 2013 and 2012, respectively	13	60	46
Net change in fair value of available-for-sale securities, net of tax	—	2	3
Amortization and recognition of unrecognized pension cost components, net of tax (benefit) of \$(9), \$9 and \$(3) for the years ended December 31, 2014, 2013 and 2012, respectively	(9)	16	(10)
Other comprehensive income	4	78	39
Comprehensive income	207	295	385
Less: Comprehensive income attributable to noncontrolling interests	111	76	80
Comprehensive income attributable to Community Health Systems, Inc. stockholders	\$ 96	\$ 219	\$ 305

See notes to the consolidated financial statements.

Table of Contents

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	(In millions, except share data)	
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 509	\$ 373
Patient accounts receivable, net of allowance for doubtful accounts of \$3,504 and \$2,438 at December 31, 2014 and 2013, respectively	3,409	2,323
Supplies	557	371
Prepaid income taxes	30	107
Deferred income taxes	341	101
Prepaid expenses and taxes	192	127
Other current assets (including assets of hospitals held for sale of \$38 and \$40 at December 31, 2014 and 2013, respectively)	528	345
Total current assets	5,566	3,747
<i>Property and equipment:</i>		
Land and improvements	946	623
Buildings and improvements	8,791	6,225
Equipment and fixtures	4,527	3,614
Property and equipment, gross	14,264	10,462
Less accumulated depreciation and amortization	(4,095)	(3,411)
Property and equipment, net	10,169	7,051
<i>Goodwill</i>	8,951	4,424
<i>Other assets, net of accumulated amortization of \$827 and \$535 at December 31, 2014 and 2013, respectively (including assets of hospitals held for sale of \$90 and \$94 at December 31, 2014 and 2013, respectively)</i>	2,735	1,895
Total assets	\$27,421	\$ 17,117
LIABILITIES AND EQUITY		
<i>Current liabilities:</i>		
Current maturities of long-term debt	\$ 235	\$ 167
Accounts payable	1,293	949
Deferred income taxes	23	3
<i>Accrued liabilities:</i>		
Employee compensation	955	690
Interest	227	112
Other (including liabilities of hospitals held for sale of \$10 and \$24 at December 31, 2014 and 2013, respectively)	856	537
Total current liabilities	3,589	2,458
<i>Long-term debt</i>	16,681	9,286
<i>Deferred income taxes</i>	845	906
<i>Other long-term liabilities</i>	1,692	977
Total liabilities	22,807	13,627
<i>Releasable noncontrolling interests in equity of consolidated subsidiaries</i>	531	358
<i>Commitments and contingencies (Note 16)</i>		
EQUITY		
<i>Community Health Systems, Inc. stockholders' equity:</i>		
Preferred stock, \$.01 par value per share, 100,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value per share, 300,000,000 shares authorized; 117,701,087 shares issued and 116,725,538 shares outstanding at December 31, 2014, and 95,987,032 shares issued and 95,011,483 shares outstanding at December 31, 2013	1	1
Additional paid-in capital	2,095	1,256
Treasury stock, at cost, 975,549 shares at December 31, 2014 and 2013	(7)	(7)
Accumulated other comprehensive loss	(63)	(67)
Retained earnings	1,977	1,885
Total Community Health Systems, Inc. stockholders' equity	4,003	3,068
<i>Noncontrolling interests in equity of consolidated subsidiaries</i>	80	64
Total equity	4,083	3,132
Total liabilities and equity	\$27,421	\$ 17,117

See notes to the consolidated financial statements.

Board for Licensing Health Care Facilities

State of Tennessee



License No. 0000000018

No. Beds 0098

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

CAMPBELL COUNTY HMA, LLC

to conduct

and maintain a Nursing Home TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER

Located at 200 TORREY ROAD, LAFOLLETTE

County of CAMPBELL, Tennessee.

This license shall expire JULY 07, 2015 *and is subject*

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

We, William Whetzel, do hereunto set our hand and seal of the State

this 7TH day of JULY, 2014.



DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By William J. Davis, MPH

By John J. Davis COMMISSIONER



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

December 2, 2014

Ms. Sara Lloyd, Administrator
Tennova Lafollette Health & Rehab Center
200 Torrey Road
Lafollette TN 37766

Re: 44-5115

Dear Ms. Lloyd:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey/complaint investigation on September 29 - October 1, 2014. An on-site revisit and desk review of the facilities plan of correction for the deficiencies cited as a result of the survey was conducted on November 24 - 25, 2014. Based on the on-site revisit and review, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of November 15, 2014.

If you have any questions concerning this letter, please contact our office at (865) 594-9396.

Sincerely,

A handwritten signature in cursive script that reads "Karen Kirby" followed by a stylized flourish.

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:afi

TN00033743

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 10/15/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 000	INITIAL COMMENTS	F 000			
F 225 SS=D	<p>A Recertification survey and complaint investigation #33743, were completed on September 29 through October 1, 2014, at Tennova LaFollette Health and Rehab Center. Deficiencies were cited related to complaint investigation #33743 under CFR Part 483, Requirements for Long Term Care Facilities. 483.13(c)(1)(ii)-(iii), (c)(2) - (4)</p> <p>INVESTIGATE/REPORT ALLEGATIONS/INDIVIDUALS</p> <p>The facility must not employ individuals who have been found guilty of abusing, neglecting, or mistreating residents by a court of law; or have had a finding entered into the State nurse aide registry concerning abuse, neglect, mistreatment of residents or misappropriation of their property; and report any knowledge it has of actions by a court of law against an employee, which would indicate unfitness for service as a nurse aide or other facility staff to the State nurse aide registry or licensing authorities.</p> <p>The facility must ensure that all alleged violations involving mistreatment, neglect, or abuse, including injuries of unknown source and misappropriation of resident property are reported immediately to the administrator of the facility and to other officials in accordance with State law through established procedures (including to the State survey and certification agency).</p> <p>The facility must have evidence that all alleged violations are thoroughly investigated, and must prevent further potential abuse while the investigation is in progress.</p>	F 225	<p>F 225 Investigate/Report Allegations/Individuals</p> <p>1. Event was reported for resident #6. 9/4/14</p> <p>2. All incidents reported through UIRS in 2014 reviewed. No other residents affected. 10/1/14</p> <p>3. Assistant Administrator or designee will report investigation results of all reportable events within 5 working days of the event or notification of the event, making sure not to exclude holidays. 10/1/14</p> <p>Tracking form will be utilized by the Assistant Administrator or designee to include date of occurrence and projected date of reporting within guidelines. Findings will be reported by Asst. Administrator to QAPI team. 11/15/14</p> <p>4. Using the tracking form, a log of events will be created and monitored by the Assistant Administrator or designee and reported to the QAPI team quarterly for three quarters. 11/15/14</p>		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Sam H. Boyd 11/14/14 *Administrator*

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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---	--	--	--

NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER	STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766
---	--

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X6) COMPLETION DATE
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F 225

Continued From page 1
The results of all investigations must be reported to the administrator or his designated representative and to other officials in accordance with State law (including to the State survey and certification agency) within 5 working days of the incident; and if the alleged violation is verified appropriate corrective action must be taken.

This REQUIREMENT is not met as evidenced by:
Based on medical record review, review of facility investigation, and interview, the facility failed to report allegations of abuse within five working days to the State Survey and Certification Agency in accordance with state law through established procedures for one resident (#6) of four residents reviewed.

The findings included:

Resident #6 was admitted to the facility on December 14, 2013, with diagnoses including Diabetes, Cerebral Vascular Injury Diseases, Hypertension, Senile and Presenile Organic Psychotic Conditions, and Encephalopathy.

Medical record review of the Quarterly Minimum Data Set (MDS) dated July 14, 2014, revealed a brief interview mental status (BIMS) score of 2, indicating severe cognitive impairment.

Review of a nurse's note written by Licensed Practical Nurse (LPN) #1, dated August 27, 2014, at 7:00 p.m. - 7:30 p.m. revealed "...Was in resident's room giving meds. Walked up to right side of bed resident took my hand and kissed the back of it. Holding hand with...right hand. No

F 225

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
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F 225	<p>Continued From page 2</p> <p>discoloration/blood noted on thumb at this time..."</p> <p>Review of a hand written statement by Certified Nursing Assistant (CNA) #1 revealed "...On August 27, 2014, at 10:00 p.m., when entering the room of [Resident #6] I noticed right before I turned the covers off...to check and turn [residen], [resident] was trying to hold [resident's] right thumb with [own] left hand. [Resident] was facing the door on...left side. Once I removed the covers off [resident] I then saw that [resident's] right thumb was bruised from under...nail to...knuckle. Also under [resident's] nail was a red place as if...got it stuck and it got squished. I then covered...back up and got my nurse [LPN #1]. [LPN #1] then assessed...thumb asking if...could bend it and put pressure on it but [resident] couldn't understand the requests. I believe [resident] had got...thumb stuck in between...bed and rail...may of jerked it out, causing the bruise on...right thumb. This bruise wasn't there on earlier rounds..."</p> <p>Review of a nurse's note written by LPN #1, dated August 27, 2014, at 10:00 p.m., revealed "...Right thumb blue from base of thumb to knuckle with small amount of blood noted at edge of thumbnail. No other discoloration or blood noted. Does not comprehend request to move or bend thumb. Hand was lying beside head when CNA's entered room. Will monitor..."</p> <p>Review of a nurse's note written by Registered Nurse (RN) #1, dated August 28, 2014, at 2:30 p.m., revealed "...Sleeping, no pain/distress noted. No change in right thumb, continued blue/bruised..."</p> <p>Review of a nurse's note written by RN #2 dated</p>	F 225			

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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F 225	<p>Continued From page 3</p> <p>August 28, 2014, at 9:30 a.m., revealed "...Right thumb discolored and edematous - poor alignment. Resident will not allow right thumb to be manipulated or repositioned..."</p> <p>Review of a Physician's order dated August 28, 2014, revealed "...X-Ray Right Hand, attn. [attention] to right thumb swollen and bruising..."</p> <p>Review of a x-ray report dated August 28, 2014, revealed "...AP, lateral and oblique views how generalized bony demineralization. There is no evidence of fracture, dislocation or bony destruction..."</p> <p>Review of a nurse's note dated August 28, 2014, at 3:20 p.m., revealed "...Wedge cushion placed between bed rail and mattress for personal safety..."</p> <p>Review of the care plan updated on August 29, 2014, revealed "...Wedge cushion placed between bed and side rail, family wants side rails up - due to safety..."</p> <p>Review of the facility's investigation of the allegation of abuse revealed an occurrence date of August 27, 2014. Further review of the facility's investigation of the allegation of abuse revealed the facility had failed to report the allegation until September 4, 2014, two days outside the five day window for reporting.</p> <p>Interview with the Assistant Administrator, on October 1, 2014, at 2:30 p.m., in the sitting area outside the Administrative offices confirmed the facility had failed to report the allegation of abuse to the State Survey and Certification office within five working days as required.</p>	F 225			

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
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F 280 SS=D	<p>483.20(d)(3), 483.10(k)(2) RIGHT TO PARTICIPATE PLANNING CARE-REVISE CP</p> <p>The resident has the right, unless adjudged incompetent or otherwise found to be incapacitated under the laws of the State, to participate in planning care and treatment or changes in care and treatment.</p> <p>A comprehensive care plan must be developed within 7 days after the completion of the comprehensive assessment; prepared by an interdisciplinary team, that includes the attending physician, a registered nurse with responsibility for the resident, and other appropriate staff in disciplines as determined by the resident's needs, and, to the extent practicable, the participation of the resident, the resident's family or the resident's legal representative; and periodically reviewed and revised by a team of qualified persons after each assessment.</p> <p>This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to revise a comprehensive care plan for one resident (#84) of twenty-seven residents reviewed.</p> <p>The findings included: Resident #84 was admitted to the facility on April 1, 2014, with diagnoses including Congestive Heart Failure, Osteoporosis, and Status Post Total Abdominal Hysterectomy.</p> <p>Medical record review of the Admission Minimum</p>	F 280	<p>F 280 Right to Participate Planning Care-Revise CP</p> <ol style="list-style-type: none"> Care Plan has been updated for resident #84 to reflect her change in continence. 10/1/14 All residents were reviewed through MDS assessments to determine whether the resident had a decline in bladder function. Residents who had a decline were assessed and no potential for improvement was identified. 11/13/14 Audit tool was developed by Assistant Administrator to determine whether or not the issue is addressed on the care plan and will be utilized by the Case Manager. 11/15/14 A sample of Care Plans will be selected from a list of quarterly MDS assessments. (The fourth record will be selected until the sample size of 20% of quarterly assessments is obtained.) The case manager will perform an audit of selected care plans and document on the audit tool. Findings will be analyzed and reported by the case manager to the QA team (a sub-committee of QAPI team) bi-monthly to ensure 11/15/14 		

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F 280	Continued From page 5 Data Set (MDS) dated May 7, 2014, revealed resident always continent of bladder. Continued medical record review of a Quarterly MDS dated July 8, 2014, revealed resident occasionally incontinent of bladder. Interview with the MDS Coordinator on October 1, 2014, at 1:20 p.m., in the MDS office confirmed the facility had failed to revise the care plan to reflect the change in continence.	F 280	bladder reassessments and toileting plans are completed appropriately for six months. QA team includes but not limited to: DON, ADON, MDS Coordinator, Case Management, and Administration.		
F 315 SS-G	483.25(d) NO CATHETER, PREVENT UTI, RESTORE BLADDER Based on the resident's comprehensive assessment, the facility must ensure that a resident who enters the facility without an indwelling catheter is not catheterized unless the resident's clinical condition demonstrates that catheterization was necessary, and a resident who is incontinent of bladder receives appropriate treatment and services to prevent urinary tract infections and to restore as much normal bladder function as possible. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to remove an indwelling catheter resulting in a Urinary Tract Infection requiring antibiotic injections (Harm) for one resident (#85) and failed to complete a bladder re-assessment and develop an Individualized toileting plan for one resident (#84) of twenty-seven residents reviewed. The findings included:	F 315	F315 No Catheter, Prevent UTI, Restore Bladder 1. Catheter was removed from resident #85. 9/25/14 Resident #84 was reassessed in order to determine the need for individualized toileting plan. 11/9/14 2. All residents were reviewed through MDS assessments to determine whether the resident had a decline in bladder function. Residents who had a decline were assessed and no potential for improvement was identified. All resident with urinary catheters were reviewed to ensure justification. 11/12/14 3. Facility bladder training policy reviewed by DON and Medical Director. Revisions include: removing the catheter without the initial clamping/un- 11/13/14		

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F 315	<p>Continued From page 6</p> <p>Resident #85 was admitted to the facility on May 22, 2013, with diagnoses including Vascular Dementia with Depressive Features, Disruptive Behavior Disorder, History of Urinary Tract Infections, and Chronic Renal (Kidney) Failure with Anemia.</p> <p>Medical record review of a urinalysis completed in the hospital Emergency Room on September 8, 2014, revealed the urine was negative for nitrates and leukocytes and a culture was not ordered.</p> <p>Interview with the Assistant Director of Nursing in the conference room on October 1, 2014, at 10:35 a.m., confirmed when a urinalysis did not indicate the presence of an infection, for example negative for nitrates and leukocytes, the laboratory did not culture the urine.</p> <p>Medical record review of the Physician's Admission Orders, dated September 17, 2014, revealed, "Foley Catheter...Bladder Training"</p> <p>Medical record review of a nursing note dated September 17, 2014, at 8:00 p.m., (the date the resident had been re-admitted from the hospital) revealed, "...bladder training to begin...9 AM and written guidelines/schedule placed in room..."</p> <p>Medical record review of the nursing notes revealed the bladder training was ongoing September 18, 19, and 20, 2014. Further review revealed no record of bladder training or notations concerning the indwelling urinary catheter until September 23, 2014, when a urine specimen was obtained.</p> <p>Medical record review of a nursing note dated September 25, 2014, revealed, "Foley catheter</p>	F 315	<p>clamping process. If resident cannot void, intermittent catheterization will be attempted. If resident is still unable to void, Physician will be contacted for further orders, which may include clamping/un-clamping.</p> <p>All staff were educated regarding Catheter Associated UTIs by DON and ADON. Those staff members who were not present at bulk meeting are being educated by DON, ADON, or Supervisor. New staff will be educated by DON, ADON, or designee during orientation process.</p> <p>A current list of residents with catheters will continue to be maintained and updated at each nurse's station by unit clerk. List will be verified by licensed nursing personnel. Catheter log will be verified for accuracy weekly and changes made as they occur.</p> <p>The interdisciplinary care team (including but not limited to: MDS Coordinator, Case Management, and Nursing Administration) meets weekly and reviews list of residents in the facility that have catheters, including new</p>		<p>10/29/14</p> <p>11/15/14</p> <p>10/22/14</p> <p>10/22/14</p>

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F 315	<p>Continued From page 7 removed..."</p> <p>Medical record review of a urine culture completed September 25, 2014, obtained from the indwelling catheter on September 23, 2014, revealed the bacteria identified as Enterobacter Cloacae and sensitive to Tobramycin (an antibiotic known to be toxic to the kidneys).</p> <p>Medical record review of a Physician's order dated September 25, 2014, revealed an order to consult the pharmacy for antibiotic therapy.</p> <p>Medical record review of a Physician's order dated September 26, 2014, revealed, "Tobramycin 160 mg (milligram) IM (intramuscular) every 36 hours for 5 doses (80 mg in each hip/resulted in two injections for each dose)."</p> <p>Interview with the Minimum Data Set (MDS) Coordinator, in the conference room on October 1, 2014, at 9:10 a.m., confirmed the resident had a marked decline in the months of August and September 2014. Continued interview confirmed the resident did not have a history of an indwelling urinary catheter and confirmed the resident was treated for a Urinary Tract fection, beginning August 14, 2014, with an oral antibiotic and was treated for a second Urinary Tract Infection with an intravenous antibiotic from September 1-3, 2014. Further interview with MDS Coordinator confirmed the bladder training had begun on September 18, 2014, continued September 19 and 20, 2014, without any further mention of the training after September 20, 2014. Interview confirmed the catheter was removed five days later on September 25, 2014. Continued interview revealed the MDS</p>	F 315	<p>residents, to determine justification for the presence of the catheter.</p> <p>When a decline in bladder function is noted as part of the MDS assessment, a bladder re-assessment will be completed and toileting plan developed by the MDS Coordinator as appropriate. This will be monitored by the Case Manager ensure completion.</p> <p>Interim Care Plan reviewed for revision by DON to address the presence of a catheter. The MDS Coordinator will review the Interim Care Plan with required assessments to ensure they are completed appropriately.</p> <p>4. Catheter usage and UTIs will be monitored using the infection control culture reports monthly and reported through the QAPI team by the Assistant Director of Nursing or designee for three quarters.</p> <p>A sample of Care Plans will be selected from a list of quarterly MDS assessments. (The fourth record will be selected until the sample size of 20% of quarterly assessments is obtained.) The</p>	<p>11/15/14</p> <p>11/13/14</p> <p>11/15/14</p> <p>11/15/14</p>	

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F 315	<p>Continued From page 8</p> <p>Coordinator had been able to locate the schedule for bladder training mentioned in the September 17, 2014, nursing note. Further interview revealed the MDS Coordinator had brought a blank form "Schedule For Bladder Training Residents With Indwelling Catheters." Interview, as the bladder training schedule was reviewed, confirmed the bladder training schedule was ongoing for three days, followed by removal of the catheter. Interview confirmed the resident's catheter was not removed for five days after the bladder training period was scheduled to end resulting in a UTI requiring antibiotic injections (Harm).</p> <p>Interview by telephone with the resident's attending physician on October 1, 2014, at 2:30 p.m., confirmed the presence of an indwelling urinary catheter increased the likelihood of the Urinary Tract Infection and the physician stated, "That is why the admission order is there for bladder training and removal of the catheter."</p> <p>Resident #84 was admitted to the facility on April 1, 2014, with diagnoses including Congestive Heart Failure, Osteoporosis, and Status Post Total Abdominal Hysterectomy.</p> <p>Medical record review of the Admission Minimum Data Set (MDS) dated May 7, 2014, revealed resident always continent of bladder. Continued medical record review of a Quarterly MDS dated July 8, 2014, revealed resident occasionally incontinent of bladder.</p> <p>Interview with the Director of Nursing (DON) on October 1, 2014, at 9:48 a.m., in the conference room confirmed the facility had failed to attempt a</p>	F 315	<p>case manager will perform an audit of selected care plans and document on the audit tool. Findings will be analyzed and reported by the case manager to the QA team (a sub-committee of QAPI team) bi-monthly to ensure bladder reassessments and toileting plans are completely appropriately for six months. QA team includes but not limited to: DON, ADON, MDS Coordinator, Case Management, and Administration.</p>		

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F 315	Continued From page 9 bladder program after a decline in bladder function.	F 315			
F 323 SS=D	483.25(h) FREE OF ACCIDENT HAZARDS/SUPERVISION/DEVICES The facility must ensure that the resident environment remains as free of accident hazards as is possible; and each resident receives adequate supervision and assistance devices to prevent accidents. This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, manufacturer's recommendation, and interview, the facility failed to correctly apply a postural device for one resident (#117) of three residents reviewed; and failed to provide supervision in the dining area of one of two dining areas observed. The findings included: Resident #117 was admitted to the facility on February 22, 2013, with diagnoses including Senile and Presenile Psychotic Conditions, Senile Dementia, and Hypertension. Review of the annual Minimum Data Set (MDS) dated June 25, 2014, revealed needs extensive assistance with activities of daily living with one person physical assist, dressing extensive assist, mobile device wheelchair. Review of the Physician's Recaptulation Orders dated July 24, 2014, revealed postural device in	F 323	F323 Free of Accident Hazards/Supervision/Devices 1. Device applied correctly for Resident #17. Supervision will be provided in dining room. 2. There were three residents with an order for this positioning device. Resident #17 was the only resident affected. No other residents were affected. All residents eating in the third floor dining room had the potential to be affected, however, no accidents occurred during this time. 3. All staff were educated regarding the proper application of positioning devices and the need for supervision of residents eating in the dining room by DON and ADON. Those staff members that were not present at bulk meeting are being educated by DON, ADON, or Supervisor. New staff will be educated by DON, ADON, or designee during orientation process.	9/29/14 11/15/14 9/29/14 10/1/14 10/29/14 11/15/14	

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F 323	<p>Continued From page 10 wheelchair.</p> <p>Observation on September 29, 2014, at 9:45 a.m., revealed the resident sitting in a wheelchair with the postural harness device in place. Continued observation revealed the velcro was in front of the resident resting on the abdomen area with the straps crossing over the chest area.</p> <p>Observation on September 29, 2014, at 11:30 a.m., in the hallway revealed the resident sitting in a wheelchair with the postural harness device in place. Continued observation revealed the velcro closure was in the front of the resident resting on the abdomen area.</p> <p>Review of the manufacturer's recommendation for application instructions revealed "...3. Bring the shoulder straps over the shoulder, and cross them in an "X" behind the seat back. Secure the shoulder straps to chest straps. Note: The hook and loop may be secured...or behind the patient for assisted-release."</p> <p>Interview with the MDS Coordinator on September 29, 2014, at 1:45 p.m., in the hallway confirmed the postural device was in place and secure in the front of the resident. Continued interview with the MDS Coordinator confirmed the postural device was not applied correctly per the manufacturer's recommendation. Continued interview revealed the resident did not get up out of the wheelchair without assistance.</p> <p>Observation of the 300 hall dining area on September 29, 2014, from 12:20 p.m., to 1:10 p.m., revealed a Certified Nurse Aide (CNA) #4 passing trays to the residents in the dining area</p>	F 323	<p>4. Postural device application will be monitored by supervisory staff for one month and documented on the Supervisory audit tool. If any devices are not applied correctly, we will continue to monitor for an additional month. Supervisory staff includes but is not limited to nursing shift supervisors, MDS Coordinator, Case Management, ADON, DON and/or Administration.</p> <p>The Dining area will be monitored during breakfast, lunch, or dinner meal times weekly by supervisory staff for one quarter to ensure the dining area is being supervised appropriately. This information will be documented on the Supervisory monitor tool.</p> <p>Audit results will be taken to the QAPI team meetings for three quarters.</p>	11/15/14	11/15/14

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F 323	Continued From page 11 and also passing trays on the 300 hall to residents who eat in their rooms. Further observation at 1:00 p.m. revealed CNA #3 entered the dining area with a resident and then left the dining area. Observation revealed there were 10 residents present in the dining area, the first tray was delivered at 12:40 p.m. and the second tray was delivered at 12:41 p.m. The last tray was delivered at 1:03 p.m. by CNA #3 who entered the dining area, set up the tray for the resident and then left the dining area again. Continued observation revealed CNA #1 passing trays in the dining area and on the 300 hall from 12:40 p.m. until 1:05 p.m., and then sat down to assist the resident who received the second tray. Further observation revealed all other residents had trays and were eating during this time without a staff member continually present in the dining area. Observation on October 1, 2014, at 9:00 a.m., in the 300 dining area revealed one resident eating in the dining area without staff present. Interview with the Director of Nursing on October 1, 2014, at 9:00 a.m., outside the 300 dining area confirmed there was no staff member present in the room and the resident was still eating. Further interview confirmed the CNA's are "not always in the dining area" during dining.	F 323			
F 325 SS=D	483.25(i) MAINTAIN NUTRITION STATUS UNLESS UNAVOIDABLE Based on a resident's comprehensive assessment, the facility must ensure that a	F 325			

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F 325	<p>Continued From page 12</p> <p>resident -</p> <p>(1) Maintains acceptable parameters of nutritional status, such as body weight and protein levels, unless the resident's clinical condition demonstrates that this is not possible; and</p> <p>(2) Receives a therapeutic diet when there is a nutritional problem.</p> <p>This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, and interview, the facility failed to ensure nutritional supplements were administered for one resident (#103) of three residents reviewed.</p> <p>The findings included:</p> <p>Resident #103 was admitted to the facility on March 4, 2014, with diagnoses including Depressive Disorder, Hypertension, Peripheral Vascular Disease, Chronic Obstructive Pulmonary Disease and Severe Cervical Spinal Stenosis. The resident was transferred to an acute care hospital on March 13, 2014, and readmitted to the facility on March 21, 2014, with dismissal to home on April 26, 2014.</p> <p>Medical record review of the Minimum Data Set (MDS) revealed on the discharge assessment dated April 26, 2014, the resident had a Brief Interview Mental Status (BIMS) score of 13 out of 15, indicating the resident was cognitively intact for daily decision making.</p> <p>Medical record review of a Physician's Order dated March 25, 2014, at 1:40 p.m., revealed</p>	F 325	<p>F 325 Maintain Nutrition Status Unless Unavoidable</p> <p>1. Resident #103 was discharged. 4/26/14</p> <p>2. All residents with orders for 2 Cal have been reviewed. 11/12/14</p> <p>3. Dietician will implement a substitution protocol for when TwoCal supplement is unavailable. The Dietician will be notified by a Dietary Department associate when TwoCal is not available. 11/15/14</p> <p>Staff was educated for proper substitutions, by DON at the bulk staff meeting. 10/29/14</p> <p>Those staff members not in attendance will be educated by the DON or ADON. 11/15/14</p> <p>New associates will be educated by the DON, ADON and/or designee during their orientation period.</p> <p>4. Dietician will audit the administration of TwoCal to ensure the substitution protocol is being followed in the event that TwoCal is not available. This information will be reported in the QAPI meeting for three quarters. 11/15/14</p>		

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F 325	Continued From page 13 "TwoCal [dietary supplement] 2 oz [ounce] qid [4 times a day] /c [with] med [medications] pass per MNT [Medical Nutrition Therapy] protocol. Medical record review of the March 21, 2014, through April 30, 2014, Medication Administration Records (MARs) revealed the Two Cal was administered ninety-nine times out of one hundred twenty-three opportunities with one time circled indicating the resident refused the supplement. Interview with the Interim Director of Nutrition Services in the kitchen on October 1, 2014, at 9:55 a.m., confirmed a different Director was in place at that time and has since terminated the position along with an Assistant Director that also terminated the position. The interim Director revealed had only been in this position for approximately four weeks and had been trying to work out some problems with ordering supplements. The interim Director did not know if there was a problem with ordering and receiving supplements during that time. Further interview with the Director of Nutrition Services confirmed the dietician had been consulted regarding the Two Cal supplement and approval for Ensure to be used instead of Two Cal when unavailable.	F 325		
F 327 SS=G	C/O #33743 483.25(j) SUFFICIENT FLUID TO MAINTAIN HYDRATION The facility must provide each resident with sufficient fluid intake to maintain proper hydration and health.	F 327		

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F 327	<p>Continued From page 14</p> <p>This REQUIREMENT is not met as evidenced by:</p> <p>Based on medical record review, observation, and interview, the facility failed to maintain hydration resulting in admission to the hospital with diagnoses including Severe Dehydration, Acute on Chronic Renal Failure, Hypernatremia with Severe Electrolyte Abnormality (Harm) for one resident (#85) of twenty-seven residents reviewed.</p> <p>The findings included:</p> <p>Resident #85 was admitted to the facility on May 22, 2013, with diagnoses including Vascular Dementia with Depressive Features, Disruptive Behavior Disorder, and Chronic Renal Failure.</p> <p>Observation on September 29, 2014, at 11:30 a.m., revealed the resident sleeping in bed.</p> <p>Observation on September 30, 2014, at 8:15 a.m., revealed the resident remained asleep in the bed as residents were served breakfast trays.</p> <p>Interview with Licensed Practical Nurse (LPN #3), at the time of the observation confirmed the resident required full assistance to be fed and had not yet been served breakfast.</p> <p>Medical record review of the Monthly Summary dated July 29, 2014, revealed, "Mental Status: Alert...Confused...Wanders...Eating Habits: Fair Appetite...Feeds Self..."</p> <p>Medical record review of the Monthly Summary dated August 31, 2014, revealed, "...lies in bed...withdrawn...doesn't respond well...Medications: Antidepressant and</p>	F 327	<p>F 327 Sufficient Fluid to Maintain Hydration</p> <ol style="list-style-type: none"> 1. Resident #85 no longer receives diuretic. Licensed personal continue to observe resident for any changes in condition and are monitoring po intake. 9/16/14 2. List of residents receiving a diuretic was obtained from pharmacy. All residents reviewed for PO intake, along with any other existing conditions that may predispose them to hydration problems. Physicians notified of results as appropriate. 11/13/14 3. Nursing staff was educated by DON regarding the importance of documenting IV fluids as a part of the resident's total intake. 10/29/14 <p>Staff were educated by DON regarding the administration and documentation of intake during bulk inservice. 10/29/14</p> <p>Those absent from bulk staff meeting will be educated by DON, ADON, or Supervisory staff. 11/15/14</p> <p>New staff will be educated by DON, ADON, or designee in orientation period.</p>	
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
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F 327	<p>Continued From page 15</p> <p>Diuretic...unable to communicate needs due to status change...refuses to eat...Has problems swallowing..."</p> <p>Medical record review of the nursing notes revealed the following:</p> <p>August 31, 2014, at 1:05 a.m., "...Very lethargic. Responds when moved or turned. Will not respond when spoken to...R.N. [Registered Nurse] notified."</p> <p>August 31, 2014, at 10:36 a.m., "...Holding everything in...mouth. Does not follow commands."</p> <p>August 31, 2014, at 6:15 p.m., revealed, "v.s. [vital signs] 102.8 [temperature] - 80 [pulse] - 22 [respirations] - 124/62 [blood pressure]...Dr. [name] notified...new orders...1 liter NS [normal saline] at 75 ml [milliliters] per hour..."</p> <p>September 2, 2014, at 10:00 a.m., revealed, "Resident is total care."</p> <p>September 3, 2014, at 8:45 a.m., "Gave Tylenol gr [grains] X [ten] for increased temp. to 100.5 ax. [axillary]."</p> <p>September 4, 2014, at 12:12 a.m., revealed, "Finished ABT [antibiotic] therapy...Continues to be very lethargic."</p> <p>September 7, 2014, at 9:00 p.m., revealed, "Resident had temp 102.4...Resident said...didn't feel good."</p> <p>September 8, 2014, at 10:38 a.m., revealed, "...Cont [continues] to be lethargic."</p>	F 327	<p>Oral intake will be monitored by licensed personnel during intake/output documentation procedure and will notify physician when there is a significant decrease in oral intake also noting the presence diuretic.</p> <p>Telephone orders will be reviewed at least twice weekly by Interdisciplinary Care Team consisting of but not limited to MDS Coordinator, Case Manager, DON, ADON, Social Services, Administration for presence of IV fluids or other orders which may indicate there is a potential hydration problem. Medication related concerns will be directly communicated to physician or pharmacy. Pharmacy will notify nursing of any findings requiring immediate intervention.</p> <p>4. Findings from Pharmacy reviews will be reported in quarterly QAPI team meeting for three quarters.</p> <p>DON or designee will randomly audit the amount of PO fluid intake by residents and document findings on the Hydration Monitor sheet and take to QAPI team meeting for three quarters.</p>	11/15/14	11/15/14

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F 327	<p>Continued From page 16</p> <p>September 8, 2014, at 11:00 a.m., revealed, "Faxed MD [physician] concerning resident...continues with temp and still won't eat..."</p> <p>Medical record review of the Intake Record for August 2014 revealed the resident's Total Intake for a twenty-four hour period was 240 ml (milliliters) or equal to one cup of fluid on August 30 and 0 Intake on August 31, 2014.</p> <p>Medical record review of the Intake Record for September 2014 revealed the following Total Intake for each twenty-four hour period:</p> <p>September 5 - 540 ml, equal to two and one fourth cups;</p> <p>September 6 - 480 ml, equal to two cups;</p> <p>September 7 - 180 ml, equal to three-fourths of one cup; and</p> <p>September 8 - 60 ml, equal to one-fourth of one cup.</p> <p>Medical record review of the medication administration records for August through September 7, 2014, revealed Lasix, a diuretic (water pill), was given to the resident each morning.</p> <p>Interview with the Minimum Data Set (MDS) Coordinator, in the conference room on October 1, 2014, at 9:10 a.m., confirmed the resident had a marked decline in the months of August and September 2014. Interview confirmed the resident was treated for a Urinary Tract Infection,</p>	F 327			

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F 327	<p>Continued From page 17</p> <p>beginning August 14, 2014, with an oral antibiotic and was treated for a second Urinary Tract Infection with an intravenous antibiotic from September 1-3, 2014. Continued interview confirmed Speech Therapy evaluated the resident on August 11, 2014, and treated the resident at three meals each week due to problems with pocketing and swallowing food. Further Interview confirmed the following:</p> <p>The Physician was not contacted on August 30, 2014, when the intake equaled one cup of fluid;</p> <p>The Nurses Note dated August 31, 2014, at 8:45 p.m., recorded the initiation of one liter of Normal Saline to infuse intravenous (IV), when the resident had no intake of fluids, however, review of the medical record revealed no record of the total amount of I.V. fluids administered;</p> <p>The Physician was not contacted on September 5, 6, or 7, 2014, when the oral intake decreased each day, from 540 ml, to 480 ml, and 180 ml and;</p> <p>The diuretic medication Lasix continued to be administered during and after the resident received IV fluids for dehydration from August 31 - September 1, 2014. During interview, the MDS Coordinator stated, "The nurses needed to contact the doctor and ask if the Lasix should be continued."</p> <p>Interview with the Assistant Director of Nursing, in the conference room on October 1, 2014, at 1:55 p.m., confirmed the Physician "should have been contacted about continuing the diuretic" when it became difficult to maintain adequate fluid intake.</p>	F 327			

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F 327	Continued From page 18 Medical record review of the hospital physician's History and Physical dated September 9, 2014, revealed, "...In the ER (emergency room) the patient was found to be severely dehydrated with renal failure and pneumonia...having difficulty swallowing...Impression: 1. Left lower lobe pneumonia, probably aspiration. 2. Acute on Chronic Renal Failure. 3. Volume Depletion...7. Hyponatremia with Severe Electrolyte Abnormality..." Interview by telephone with the resident's attending physician on October 2, 2014, at 2:30 p.m., confirmed the facility's failure to stop the administration of the diuretic contributed to the severe Dehydration and Electrolyte Abnormality, stating, "It should have been held."	F 327			
F 333 SS=D	483.25(m)(2) RESIDENTS FREE OF SIGNIFICANT MED ERRORS The facility must ensure that residents are free of any significant medication errors. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to ensure one resident (#103) was free of significant medication errors of twenty-seven residents reviewed. The findings included: Resident #103 was admitted to the facility on March 4, 2014, with diagnoses including Chronic Respiratory Failure, Chest Wall Pain, Congestive Heart Failure and Chronic Obstructive Pulmonary Disease, and was dismissed to home on April 26,	F 333	F333 Residents Free of Significant Med Errors 1. Resident #103 was discharged. 4/26/14 2. At the time of the survey, three in-house residents had an order for 1/2 tablet. Upon chart review, no errors were discovered. 11/12/14 3. LPN administering whole tab instead of half tab was counseled by the DON regarding correct dosage and the appropriate standard of care. 3/16/14 Licensed personnel demonstrated medication administration competency through direct observation. Competencies will be done annually. DON, ADON, and/or Supervisory Staff will determine associate's 11/15/14		

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F 333	<p>Continued From page 19 2014.</p> <p>Medical record review of a Physician's order sheet dated March 4, 2014, revealed an order for Oxycodone-APAP (Percocet, a pain medication) "...Percocet 10/325 1 [one] tablet oral [by mouth] every 6 hours as needed..."</p> <p>Medical record review of a Physician's order sheet dated March 7, 2014, revealed "...1/2 tab or 1 tab [one half of a tablet to a whole tablet], if 1/2 is ineffective give other 1/2 after 30 min [minutes]..."</p> <p>Medical record review of a Physician's order sheet dated March 8, 2014, revealed "...Percocet 10/325- 1/2 tab q6h prn [every 6 hours as needed] if 1/2 tab is not effective in 30 min-may give remaining 1/2 tab..."</p> <p>Medical record review of the Controlled Medication Record revealed a whole tablet was administered on March 10, 2014, at 4:40 p.m., March 11, 2014, at 5:35 a.m., and March 11, 2014, at 9:40 a.m.</p> <p>Interview with Registered Nurse (RN #1) and RN #2 on October 1, 2014, at 8:15 a.m., in the 200 dining area confirmed when a controlled substance was signed out on the Controlled Medication Record, "1" was documented for a whole pill and "1/2" for a half pill and two nurses sign that the other half was wasted.</p> <p>Interview with the Director of Nursing on October 1, 2014, at 2:15 p.m., in the solarium confirmed a whole pill was administered instead of the 1/2 tablet as ordered.</p>	F 333	<p>competency validation based on demonstration and/or observation. During the competency assessment, any deviation from the standard of care will be addressed immediately and the practice discussed.</p> <p>4. Findings from medication competencies will be reported to QAPI team by DON for three quarters.</p>	11/15/14	

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F 333	Continued From page 20 C/O #33743	F 333	F 371 483.35(i) Food Procure, Store/Prepare/Serve-Sanitary		
F 371 SS=F	483.35(i) FOOD PROCURE, STORE/PREPARE/SERVE - SANITARY The facility must - (1) Procure food from sources approved or considered satisfactory by Federal, State or local authorities; and (2) Store, prepare, distribute and serve food under sanitary conditions This REQUIREMENT is not met as evidenced by: Based on observation, interview, and facility policy review, the facility failed to maintain proper sanitation for food preparation equipment and safe handling of food in the dietary department. The findings included: Observation with the interim Director of Nutrition Services on September 29, 2014, from 9:45 a.m., to 10:10 a.m., in the dietary department revealed the following: 1. A male employee was in the kitchen area without a hair net or beard cover. 2. One sheet pan of quesadillas was uncovered in the walk in freezer. 3. A stand alone fryer had a build up of greasy debris on the outside of the fryer. 4. A stainless steel table by the stove had a greasy build up. 5. French fries were on the floor under the stand	F 371	1. Beard covers were purchased and made available with hair nets to all staff. Sheet pan of quesadillas was removed from the freezer and discarded. Outside fryer was cleaned immediately. Stainless steel table was cleaned and sanitized. Area around the fryer was swept and mopped, outside of fryer was cleaned. Cool air vent over tray line was cleaned of dust and debris immediately. Uniform dress code stating that long facial hair was reviewed with staff. Infection control policy was reviewed with staff, and staff were instructed to wear gloves at all times when handling food. 2. All residents were reviewed and no evidence of illness related to the deficient practice in the dietary department were identified.	9/29/14 9/29/14 9/29/14 9/29/14 9/29/14 9/29/14 9/29/14	

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F 441	<p>Continued From page 22</p> <p>The facility must establish and maintain an Infection Control Program designed to provide a safe, sanitary and comfortable environment and to help prevent the development and transmission of disease and infection.</p> <p>(a) Infection Control Program The facility must establish an Infection Control Program under which it - (1) Investigates, controls, and prevents infections in the facility; (2) Decides what procedures, such as isolation, should be applied to an individual resident; and (3) Maintains a record of incidents and corrective actions related to infections.</p> <p>(b) Preventing Spread of Infection (1) When the Infection Control Program determines that a resident needs isolation to prevent the spread of infection, the facility must isolate the resident. (2) The facility must prohibit employees with a communicable disease or infected skin lesions from direct contact with residents or their food, if direct contact will transmit the disease. (3) The facility must require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted professional practice.</p> <p>(c) Linens Personnel must handle, store, process and transport linens so as to prevent the spread of infection.</p> <p>This REQUIREMENT is not met as evidenced by:</p>	F 441	<p>Education regarding the proper cleaning of food contact surfaces was conducted by Assistant Dietary Director. 11/3/14</p> <p>Those who were absent are being educated by Assistant Dietary Director. New staff will be educated in departmental orientation/training. 11/15/14</p> <p>Areas around and under large equipment were added to daily cleaning schedule by Assistant Dietary Director. 10/30/14</p> <p>Education was conducted with dietary staff regarding updated cleaning schedule by Assistant Dietary Director. 11/3/14</p> <p>Those who were absent are being educated by Assistant Dietary Director. New staff will be educated in departmental orientation/training. 11/15/14</p> <p>AC vents, both supply and returns, were added to weekly cleaning schedule for inspection by Assistant Dietary Director. Engineering staff will be contacted by Assistant Director or designee when inspection concludes cleaning is needed. Education was conducted with dietary staff regarding updated cleaning schedule by Assistant Dietary Director. 11/3/14</p> <p>Those who were absent are being educated by Assistant Dietary Director. New staff will be educated in departmental</p>		

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NAME OF PROVIDER OR SUPPLIER

TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER

STREET ADDRESS, CITY, STATE, ZIP CODE

**200 TORREY ROAD
LAFOLLETTE, TN 37766**

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F 441	<p>Continued From page 23</p> <p>Based on observation, facility policy review, and interview, the facility failed to ensure staff used proper infection control practices to prevent cross contamination during the preparation of meal trays for one of two residents observed during meal services.</p> <p>The findings included:</p> <p>Observation on September 29, 2014 at 12:55 p.m. in the 200 hall day room revealed Certified Nursing Aid (CNA #1), placed the resident's tray in front of the resident, used the bare hand, touched the resident's sweet potato, pushed resident's wheelchair closer to the table, opened silverware and, used knife to put butter on resident's roll without sanitizing the hands.</p> <p>Review of facility policy, Food Handling, revealed "...Single use disposable gloves are worn while serving food...Gloves are changed between tasks..."</p> <p>Interview with the Director of Nursing (DON), in the DON's office on October 1, 2014, at 1:20 p.m., confirmed "...I would expect the CNA to wear disposable gloves when handling the resident's food...and should not handle with bare hands..."</p>	F 441	<p>orientation/training.</p> <p>4. All deficiencies will be monitored by daily rounding of Assistant Dietary Director or designee. Findings will be included in monthly department safety audit. Safety audit will be reported to QAPI team for three quarters.</p> <p>F 441 Infection Control, Prevent Spread</p> <p>1. Staff involved in deficient practice educated regarding proper food handling procedures.</p> <p>2. Upon review of resident charts, it was determined that no residents were affected by this deficient practice.</p> <p>3. All staff were educated in regards to proper tray passing and set-up procedure including food handling by the DON. Staff not attending bulk staff meeting will be educated by the DON, ADON, or supervisory staff. New associates will be educated by DON, ADON, or designee in orientation period.</p> <p>4. Assistant Director of Nursing or designee will audit tray passing/set-up procedures weekly using audit tool and report findings in quarterly QAPI team meeting for three quarters.</p>	<p>11/15/14</p> <p>10/1/14</p> <p>11/13/14</p> <p>11/15/14</p> <p>11/15/14</p> <p>11/15/14</p>

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN0702	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____ B. WING: _____		(X3) DATE SURVEY COMPLETED 10/01/2014
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N 000	Initial Comments A Licensure survey and complaint investigation #33743, were completed on September 29 through October 1, 2014, at Tennova LaFollette Health and Rehab Center. No deficiencies were cited under Chapter 1200-8-6, Standards for Nursing Homes.	N 000			

Division of Health Care Facilities

REGULATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

DATE FORM

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NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 033 SS=D	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Exit components (such as stairways) are enclosed with construction having a fire resistance rating of at least one hour, are arranged to provide a continuous path of escape, and provide protection against fire or smoke from other parts of the building. 8.2.5.2, 19.3.1.1</p> <p>This STANDARD is not met as evidenced by: Based on observation and interview, the facility failed to maintain stairwells from protection against fire or smoke from other parts of the building.</p> <p>The findings include:</p> <p>Observation and interview with the maintenance director on October 1, 2014 at 2:10 p.m. confirmed 2 penetrations in the stairwell by the elevator on the 3rd floor. (NFPA 101, 7.1.3.2.1)</p> <p>This finding was verified by the maintenance director and acknowledged by the assistant administrator during the exit conference on October 1st, 2014.</p>	K 033	<p>K 033 NFPA 101 Life Safety Code Standard</p> <ol style="list-style-type: none"> 1. Penetrations will be sealed. 2. Residents on the 3rd floor have the potential to be affected. 3. Ceilings will be inspected for penetrations through monthly rounds. 4. Engineering associates will randomly check for penetrations during and after any above ceiling project work. 	<p>11/15/14</p> <p>11/15/14</p> <p>11/15/14</p>	
K 038 SS=D	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Exit access is arranged so that exits are readily accessible at all times in accordance with section 7.1. 19.2.1</p>	K 038			

ORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Don H. Lord 11/14/14 Administrator

deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that safeguards provide sufficient protection to the patients. (See Instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued ram participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 10/15/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 038	Continued From page 1 This STANDARD is not met as evidenced by: Based on observation, testing and interview, the facility failed to have exit access readily accessible at all times. The findings include: Observation, testing and interview with the maintenance director on October 1, 2014 at 9:30 a.m. confirmed the emergency exit door in the dining room located by the main entrance would not open. (NFPA 101, Chapter 7) This finding was verified by the maintenance director and acknowledged by the assistant administrator during the exit conference on October 1st, 2014.	K 038	K 038 NFPA 101 Life Safety Code Standard 1. Solarium door was made operational. 2. All residents and visitors using the solarium had the potential to be affected. 3. Security/Engineering associates will test Solarium doors weekly to ensure door/locks are functioning properly. 4. Engineering associates will add to Environment of Care monthly rounding.	10/21/14 11/15/14 11/15/14	
K 069 SS=E	NFPA 101 LIFE SAFETY CODE STANDARD Cooking facilities are protected in accordance with 9.2.3. 19.3.2.6, NFPA 96 This STANDARD is not met as evidenced by: Based on observation and interview, it was determined that the facility failed to maintain the kitchen exhaust fan in a safe manner for maintenance and grease accumulation. The findings include: 1. Observation and interview with the maintenance director and phone interview with the service contractor on October 1, 2014 at 1:50 p.m. confirmed 2 of 2 exhaust fans are not provided with an up blast fan that can be cleaned	K 069	K069 NFPA 101 Life Safety Code Standard 1. Current fans and roof were cleaned. 2. All residents have to potential to be affected. 3. Current exhaust fans will be replaced with hinged upblast exhaust fans. 4. Upblast exhaust fans will be placed on monthly preventive maintenance inspections.	10/3/14 11/15/14 11/15/14	

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 10/15/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING-01 B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 069	Continued From page 2 appropriately. Interview with the service contractor revealed that once a year the exhaust fans are removed for cleaning but the other time of cleaning the fan is left in place and is cleaned by pressure washing from the kitchen hood up to the top of the exhaust fans. 2. Observation and interview with the maintenance director on October 1, 2014 at 1:50 p.m. revealed an excessive accumulation of grease on the roof underneath the exhaust fan. The maintenance director revealed that the grease accumulation on the roof would cause damage to the rubber roof. (NFPA 96) These findings were verified by the maintenance director and acknowledged by the assistant administrator during the exit conference on October 1st, 2014.	K 069			
K 072 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Means of egress are continuously maintained free of all obstructions or impediments to full instant use in the case of fire or other emergency. No furnishings, decorations, or other objects obstruct exits, access to, egress from, or visibility of exits. 7.1.10 This STANDARD is not met as evidenced by: Based on observation and interview, the facility failed to maintain the means of egress free from obstructions or impediments. The findings include:	K 072	K 072 NFPA 101 Life Safety Code Standard 1. Corridors were cleared. 2. All residents have the potential to be affected. 3. Staff will be educated not to store items in hallways and the appropriate storage areas for equipment that is not in use including new staff in orientation period. 4. Supervisory staff or designee will randomly monitor hallways to ensure they are free from obstructions.	10/1/14 11/15/14 11/15/14	

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 10/15/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 072	Continued From page 3 Observation and interview with the maintenance director on October 1, 2014 between 11:25 a.m. and 2:30 p.m. confirmed the corridors by rooms 275 and 289 had clean linen carts and lifts stored in these areas. (NFPA 101, 7.1.10.1) This finding was verified by the maintenance director and acknowledged by the assistant administrator during the exit conference on October 1st, 2014.	K 072			
K 147 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Electrical wiring and equipment is in accordance with NFPA 70, National Electrical Code. 9.1.2 This STANDARD is not met as evidenced by: Based on observation, interview and testing, it was determined that the facility failed to install electrical wiring and equipment in accordance with the National Electrical Code. The findings include: Observation, interview and testing with the maintenance director on October 1, 2014 at 10:25 a.m. confirmed an "open ground" in room 363 at B bed and 367 at both A and B beds. A damaged receptacle was found in the corridor between rooms 356 and 358. (NFPA 70) This finding was verified by the maintenance director and acknowledged by the assistant administrator during the exit conference on	K 147	K147 NFPA 101 Life Safety Code Standard 1. Damaged receptacle between rooms 356 and 358 was replaced. Receptacles in rooms 363 and 367 will be replaced. 2. Residents on the third floor have the potential to be affected. 3. Engineering associates will perform an electrical safety test on receptacles in patient areas annually. 4. Findings from electrical safety testing will be reported to the safety committee upon completion.	10/1/14 11/15/14 11/15/14 11/15/14	

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 10/15/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445115	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 10/01/2014
NAME OF PROVIDER OR SUPPLIER TENNOVA LAFOLLETTE HEALTH AND REHAB CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 200 TORREY ROAD LAFOLLETTE, TN 37766		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETION DATE
K 147	Continued From page 4 October 1, 2014.	K 147			

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN0702	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 10/01/2014
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NAME OF PROVIDER OR SUPPLIER

STREET ADDRESS, CITY, STATE, ZIP CODE

TENNOVA LAFOLLETTE HEALTH AND REHAB

200 TORREY ROAD
LAFOLLETTE, TN 37766

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 831 SS=E	<p>1200-8-6-.08 (1) Building Standards</p> <p>(1) A nursing home shall construct, arrange, and maintain the condition of the physical plant and the overall nursing home environment in such a manner that the safety and well-being of the residents are assured.</p> <p>This Rule is not met as evidenced by: Based on observation and interview it was determined the facility failed to provide fire protection by the elimination of fire hazards.</p> <p>The findings include:</p> <p>Observation and interview with the maintenance director on October 1, 2014 at 1:50 p.m. revealed an excessive accumulation of grease on the roof underneath the exhaust fans which creates a fire hazard. The maintenance director revealed that the grease accumulation on the roof would also cause damage to the rubber roof. (Reference tag K69)</p> <p>This finding was verified by the maintenance director and acknowledged by the assistant administrator during the exit conference on October 1st, 2014.</p>	N 831	<p>N831 1200-8-6-.08 (1) Building Standards</p> <ol style="list-style-type: none"> 1. Current fans and roof were cleaned. 2. All residents have to potential to be affected. 3. Current exhaust fans will be replaced with hinged upblast exhaust fans. 4. Upblast exhaust fans will be placed on a monthly preventive maintenance inspections 	<p>10/3/14</p> <p>11/15/14</p> <p>11/15/14</p>

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Dana Lloyd 11/14/14 Administrator

STATE FORM

6809

7CC521

If continuation sheet 1 of 1


AFFIDAVIT

MAY 15 '15 PM 12:08

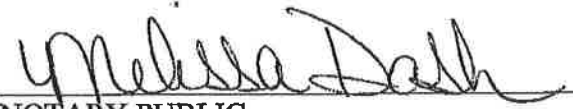
STATE OF TENNESSEE

COUNTY OF CAMPBELL

RONALD MARK GAIN, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

 CEO
SIGNATURE/TITLE

Sworn to and subscribed before me, a Notary Public in and for Campbell County Tennessee, this 1st day of May, 2015


NOTARY PUBLIC

My commission expires 9/13, 2015.
(Month/Day) (Year)





State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

June 1, 2015

Jerry W. Taylor, Esq.
Burr & Forman LLP
511 Union Street Suite 2300
Lafollette, TN 37766

RE: Certificate of Need Application -- Tennova LaFollete Health and Rehabilitation Center-
CN1505-021

A 98 licensed bed nursing home owned by Campbell County HMA, LLC, a Tennessee limited liability company that is a wholly owned subsidiary of Community Health Systems, Inc., seeks approval to renovate approximately 26,350 of the existing 35,317 square foot facility at a construction cost in excess of \$2 million. The project focuses on cosmetic finishes, changes to nurses stations, patient day rooms and patient dining areas of the building and does not involve changes to any existing services or the licensed bed complement. The project cost is \$3,202,188.75.

Dear Mr. Taylor:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on June 1, 2015. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the 30-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on August 26, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (6) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (7) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA




State of Tennessee
Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: 
Melanie M. Hill
Executive Director

DATE: June 1, 2015

RE: Certificate of Need Application
Tennova Lafollete Health and Rehab - CN1505-021

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a 60-day review period to begin on June 1, 2015 and end on August 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Jerry W. Taylor, Esq.



2015 05 15 09:05

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Knoxville News Sentinel, a newspaper of general circulation in Campbell County, Tennessee, on or before May 10, 2015 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Tennova LaFollette Health and Rehab Center, owned and managed by Campbell County HMA, LLC, a Tennessee limited liability company, intends to file an application for a Certificate of Need for the approval of a nursing home modification project with a cost in excess of \$2 million. The project will entail the renovation of approximately 26,350 square feet of space of the 35,317 square foot facility. The renovation will be "light" renovation, consisting of cosmetic improvements and updates, new furnishings and other aesthetic improvements. The facility is located at 200 Torrey Road, LaFollette, Campbell County Tennessee. It is licensed as a nursing home by the Tennessee Board for Licensing Health Care Facilities. No changes to the number or types of licensed beds, changes in the services provided by the facility, or major medical equipment are involved in this project. The estimated project cost is not to exceed \$3,250,000.

The anticipated date of filing the application is May 15, 2015.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Burr & Forman, LLP, 511 Union Street, Suite 2300, Nashville, Tennessee 37219, 615-724-3247, jtaylor@burr.com.


Signature

5-8-15
Date

=====

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

Supplemental #2 -Original-

TENNOVA LAFOLLETTE
HEALTH AND REHAB
CENTER

CN1505-021

May 29, 2015

9:39 am

SECOND SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

TENNOVA LAFOLLETTE HEALTH & REHAB CENTER

Project No. CN1505-021

Renovation of Skilled Nursing Facility

Campbell County, Tennessee

May 29, 2015

Contact Person:

**Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247**

1. Section B, Project Description, Item III (Plot Plan)

The Google Map containing a satellite image of the site is noted. Please note the following questions:

(a) Please explain what the arrow to the far left of the image is pointing to.

That arrow points to the driveway to the Health & Rehab Center (at that particular point, the driveway is obscured by trees). The arrows behind it point to the roadway to the driveway to the Health and Rehab Center. These are marked on the attached plot plan.

(b) Since no other plot plan drawing is available, please trace or outline the nursing home and hospital buildings in the satellite image using a highlighter with contrasting color. Please also add an arrow showing the main entrance of the hospital.

A plot plan with the hospital highlighted in pink and the Health and Rehab Center highlighted in blue, each of which are outlined in black marker, is attached.

SUPPLEMENTAL #2

May 29, 2015

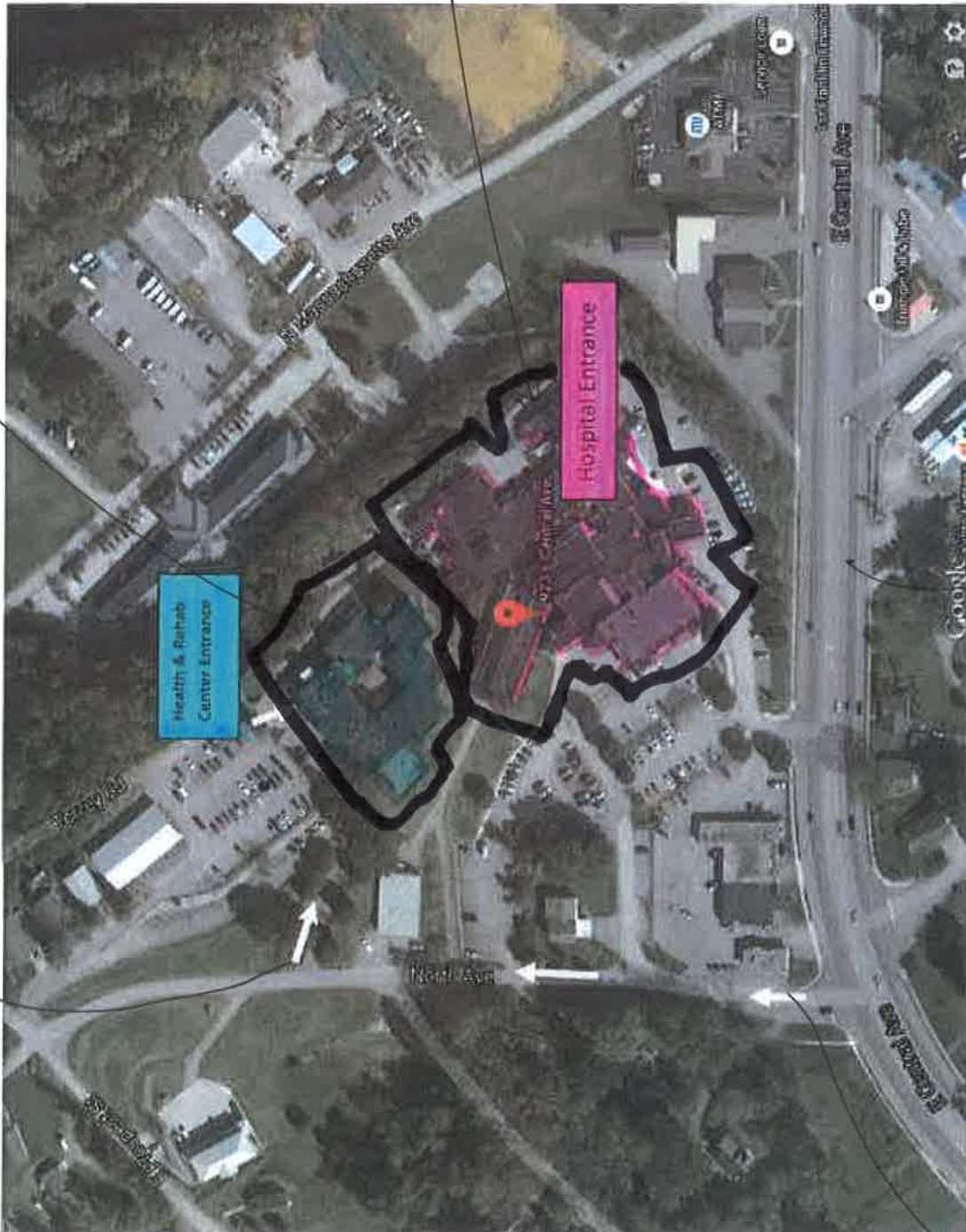
9:39 am

Approx 13.8
Total Acres

Health & Rehab
Building

Hospital
Building

Road fronting Hospital
(E. Central Ave.)



Drive way to
Health & Rehab

Road to Health
& Rehab (North Ave)

May 29, 2015**9:39 am****2. Section C, Need, Item 5**

The utilization table provided in the response to highlight utilization by level of care classifications is noted. Of the 3 existing facilities, review of the Final published 2013 JAR revealed that Beech Tree Manor reported a Medicare SNF average daily census (ADC) of approximately 8.6 patients per day in lieu of the 14.6 patients per day shown in the table. As a result, it appears that the combined average Medicare SNF utilization may be lower than shown for 2013. Please review the provider 2013 JAR to confirm this finding and submit a revised table.

The SNF ADC for Beech Tree Manor was incorrectly recorded in the table, which also made the total SNF ADC incorrect. A revised table is included below:

Service Area Nursing Home Utilization -- Most Recent JAR

Facility	Licensed Beds	SNF Beds- Medicare	SNF Beds- Medicare/ Medicaid	Other Lic. Beds	SNF Medicare ADC	Level 2 Medicaid ADC	NF ADC	Total ADC
Beech Tree Manor	110	0	110	0	8.6	1.0	78.6	88.2
Cumberland Village	182	0	182	0	37.8	5.9	119.7	163.4
Tennova LaFollette	98	0	98	0	11.2	5.4	68.2	85.3
Total	390	0	390	0	57.6	12.3	266.5	336.9

The response with table labeled "Service Area Patient Accommodation Mix-Most Recent JAR Period" is noted. It appears that private beds account fall in a range of 5% to 8% of the total licensed bed complement in Campbell County. Given the applicant's declining bed occupancy between 2011-2013 was any consideration given to increasing the mix of private rooms as a strategy to help position itself as the preferred choice in the market and improve bed occupancy going forward? Please clarify.

If a resident desires a private room and one is not available, and if the current census allows, that patient is placed in a semi-private room without a roommate, thus making it a de facto private room.

The only other options to provide more full-time private rooms would be to: (1) de-license beds, or (2) construct additional space to house more private rooms. Neither of these options are deemed to be desirable or feasible at this time.

3. Section C, Economic Feasibility, Item 2

The response indicates that CHS has approximately \$222 million of cash to fund operations of Community Health Systems within the \$509 million cash and cash equivalents noted in the Consolidated Balance Sheet as of December 31, 2014. The response also states that another \$855 million of borrowing capacity is available from

May 29, 2015**9:39 am**

a \$10 billion revolving line of credit. Where is the entry for the \$10 billion reflected in the Consolidated Balance Sheet for the applicant's parent company?

The line of credit is \$1 billion, not \$10 billion (stated as a \$1,000 Million in the funding letter). Available but undrawn amounts of a line of credit are not reflected on a balance sheet. We were unable to determine by the filing deadline the amount, if any, that has been drawn down on this line of credit, but it is thought to be very little. Any drawn amounts would be included in long term debt on the balance sheet.

4. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

With respect to the questions about management fees and Net Operating Income of approximately \$8 million and \$7 million, respectively, where are these amounts included in the copy of the parent company's "Consolidated Statements of Income" in the application attachment?

Both the management fees and the operating incomes would be included in "income from continuing operations" in the income statement.

May 29, 2015

9:39 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: TENNOVA LAFOLLETTE HEALTH & REHAB CENTER

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.


Signature/Title Attorney

Sworn to and subscribed before me, a Notary Public, this the 29th day of May, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

My commission expires 3-7-17





Supplemental #1 -Copy-

TENNOVA LAFOLLETTE
HEALTH & REHAB CENTER

CN1505-021

**May 26, 2015
1:55 am**

10
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05
26
15
01
15
55

SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

TENNOVA LAFOLLETTE HEALTH & REHAB CENTER

Renovation of Skilled Nursing Facility

Campbell County, Tennessee

May 26, 2015

Contact Person:

**Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247**

Supplemental Responses
Tennova LaFollette Health & Rehab Center
CN1505-021
Page 1

1. Applicant Profile, Item 4

The ownership by Campbell County HMA, LLC, a wholly owned indirect subsidiary of Community Health Systems (CHS), is noted. Please provide an organizational chart showing the relationship between the parties. In your response, please also provide the names, addresses and # licensed beds of nursing homes owned and/or operated by CHS in Tennessee.

The ownership structure is reflected on the document following this response.

Other Tennessee nursing facilities owned by Community Health Systems affiliates are reflected below:

	Facility	County	State	No. of Beds
1	Tennova LaFollette Health & Rehab Center	Campbell	TN	98
2	Tennova Newport Convalescent Center	Cocke	TN	56
3	Physicians Regional Medical Center	Knox	TN	25

May 26, 2015

1:55 am

MAY 26 11:58 AM '15

**CAMPBELL COUNTY HMA, LLC
OWNERSHIP INFORMATION**

Name of Entity: **Campbell County HMA, LLC**, a TN ltd. liability co. (EIN: 45-2528273)
d/b/a Tennova Healthcare – LaFollette Medical Center
Corporate Address: 4000 Meridian Blvd., Franklin, TN 37067

Whose sole member is:

Knoxville HMA Holdings, LLC, a TN ltd. liability co. (EIN: 45-2528116)
4000 Meridian Blvd., Franklin, TN 37067

Whose sole member is:

Tennessee HMA Holdings, LP, a DE ltd. partnership (EIN: 46-1750499)
4000 Meridian Blvd., Franklin, TN 37067

The partners of Tennessee HMA Holdings, LP are:

Hospital Management Services of Florida, LP, a FL ltd. partnership (EIN: 20-5917647) (99%)
Health Management General Partner, LLC, a DE ltd. liability co. (EIN: 46-1690736) (1%)
4000 Meridian Blvd., Franklin, TN 37067

The members of Hospital Management Services of Florida, LP (above) are:

Health Management Associates, LP, a DE ltd. partnership (27-1601497)(99%)
HMA Services GP, LLC, a DE ltd. liability co. (46-1707507)(1%)
4000 Meridian Blvd., Franklin, TN 37067

The partners of Health Management Associates, LP (above) are:

Health Management General Partner, LLC, a DE ltd. liability co. (46-1690736) (1%)
Health Management Associates, Inc., a DE corporation (61-0963645) (99%)
4000 Meridian Blvd., Franklin, TN 37067

Health Management Associates, Inc. (above). is wholly owned by:

CHS/Community Health Systems, Inc., a DE corporation (EIN: 76-0137985)
4000 Meridian Blvd., Franklin, TN 37067

Which is wholly owned by:

Community Health Systems, Inc., a DE corporation (EIN: 13-3893191)
a publicly traded company, trading under the symbol of "CYH" on the NYSE
4000 Meridian Blvd., Franklin, TN 37067

May 26, 2015**1:55 am****2. Applicant Profile, Item 6, Legal Interest in Site**

The assignment in 2011 of the original April 2000 lease agreement from Mercy Health Partners, Inc. to Campbell County HMA, LLC is noted. It is unclear how the \$6,803 annual lease amount in the Projected Data Chart is consistent with the amount and terms of the schedule on pages 12 -13 of the lease document. Please clarify such that the applicant's lease obligations can be fully appreciated.

The "Rent" entry on the Projected Data Chart represents equipment rentals, such as wound vac rental, copier rental, etc., and does not represent building lease amounts. The latter is rolled up into the overall hospitals books. From a financial perspective, the Heath and Rehab Center operates as a department of the hospital. Lease costs are not separately allocated to the Health and Rehab Center.

3. Section B. Project Description, Item 1 and Section B, Project Description, Items II.A and II.B

Item I - given the lease assignment documentation, it appears that ownership changed in 2011. Please provide an overview with timeline of changes from original to current ownership.

2011: The hospital and nursing facility were acquired by Health Management Associates (HMA).

2013: HMA and its affiliates and facilities were acquired by CHS/Community Health Systems, Inc.

Item II.A- Please provide a description with timeline of any prior key physical plant projects since 98 bed nursing facility opened.

The facility was acquired by the applicant in 2013. It is the applicant's understanding the following is correct:

1968 – The 50-bed Nursing Home was opened.

1979 – An additional 48-beds were added to the facility.

2004 – The facility installed a sprinkler system throughout the facility.

Of The CHS nursing homes owned or operated by CHS in TN, what major construction or renovation projects has CMS sponsored in amounts over \$2 million?

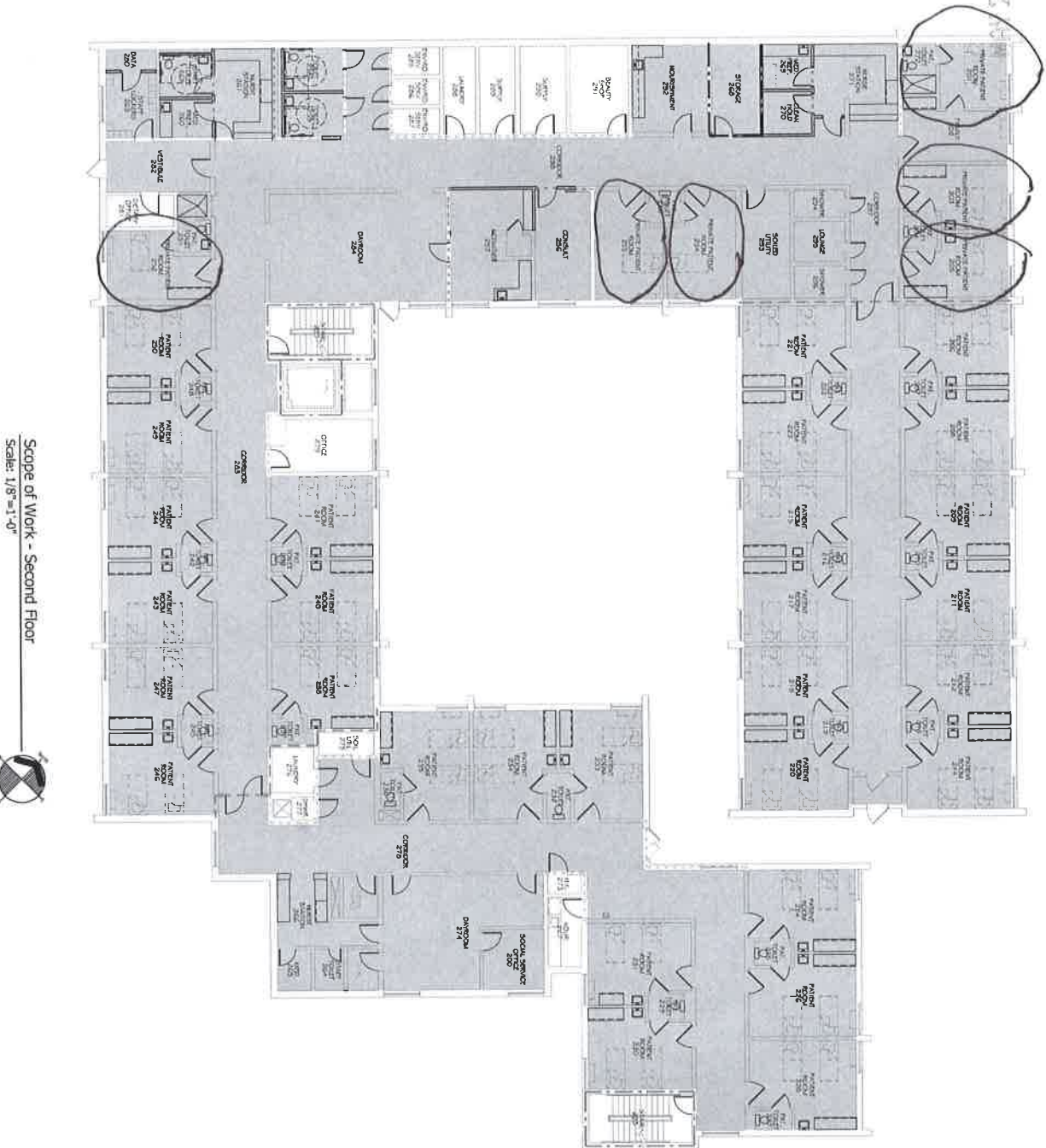
CHS/Community Health Systems Inc. (CHS) acquired HMA in 2013. All of the nursing homes currently owned by CHS were acquired from HMA. No such nursing home projects have been completed since the CHS acquisition.

The applicant describes 2 key focus areas – cosmetic nature of project and changes to largest nursing station. However, review of the floor plans identified what appears to be work that will include changes to therapy areas on the 1st floor, patient rooms on floors 2 and 3 floors, and patient dining/dayroom areas on the 3rd floor. Please provide brief highlights of upgrades and related changes to these patient areas of the 98 bed facility.

SUPPLEMENTAL #1

May 26, 2015

1:55 am



Scope of Work - Second Floor
Scale: 1/8"=1'-0"



Date: 01/09/2015
Sheet Number: 002.0

LMH
ARCHITECTURE
1111 East 1st Street, Suite 400
New Albany, Indiana 47150
(317) 944-1222
(317) 944-1122
(317) 944-1122

BCCLT
BUILDING CONSULTANTS
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LMH
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(317) 944-1122
(317) 944-1122

Revisions

Scope of Work - Second Floor

Lafayette Medical Center
- Health and Rehab
Lafayette, Tennessee

May 26, 2015**1:55 am**

Therapy area 1st floor: An ADL studio will be installed to provide therapies to assist residents in transitioning back to home and community. The rehab gym area will be moved to a larger space for better functionality.

Patient rooms: New cabinetry, flooring and paint.

Dining/dayroom area: New flooring paint and furniture.

Item II.B – with respect to the types of beds, review of the Floor Plans revealed that all of the patient rooms on the 2nd and 3rd floors appear to be private patient rooms with access to private toilets. However, only a few are labeled as “Private Patient Room”. Please explain the difference. In your response, please complete the table below to help further identify the differences in the types of patient rooms available at the facility.

There are 6 private rooms on the 2nd floor. These are circled on the floor plan attached following this response. The remaining 46 rooms are semi-private.

Type Room	# Rooms	# Licensed Beds	Average Square Feet/Room	Key Upgrades in this Project
Private	6	6	160	Cabinetry, flooring & paint
Semi-Private	46	92	220	Cabinetry, flooring & paint
Other	0	0	0	
Total	52	98		

May 26, 2015**1:55 am****4. Section B, Project Description, Item III (Plot Plan)**

The plot plan included in the application is too small and illegible to clearly identify locations of the applicant nursing home and the hospital and medical office building on the 13 acre campus, with primary facility entrances for these buildings. Please expand by revising the drawing and submit as a replacement page for the application.

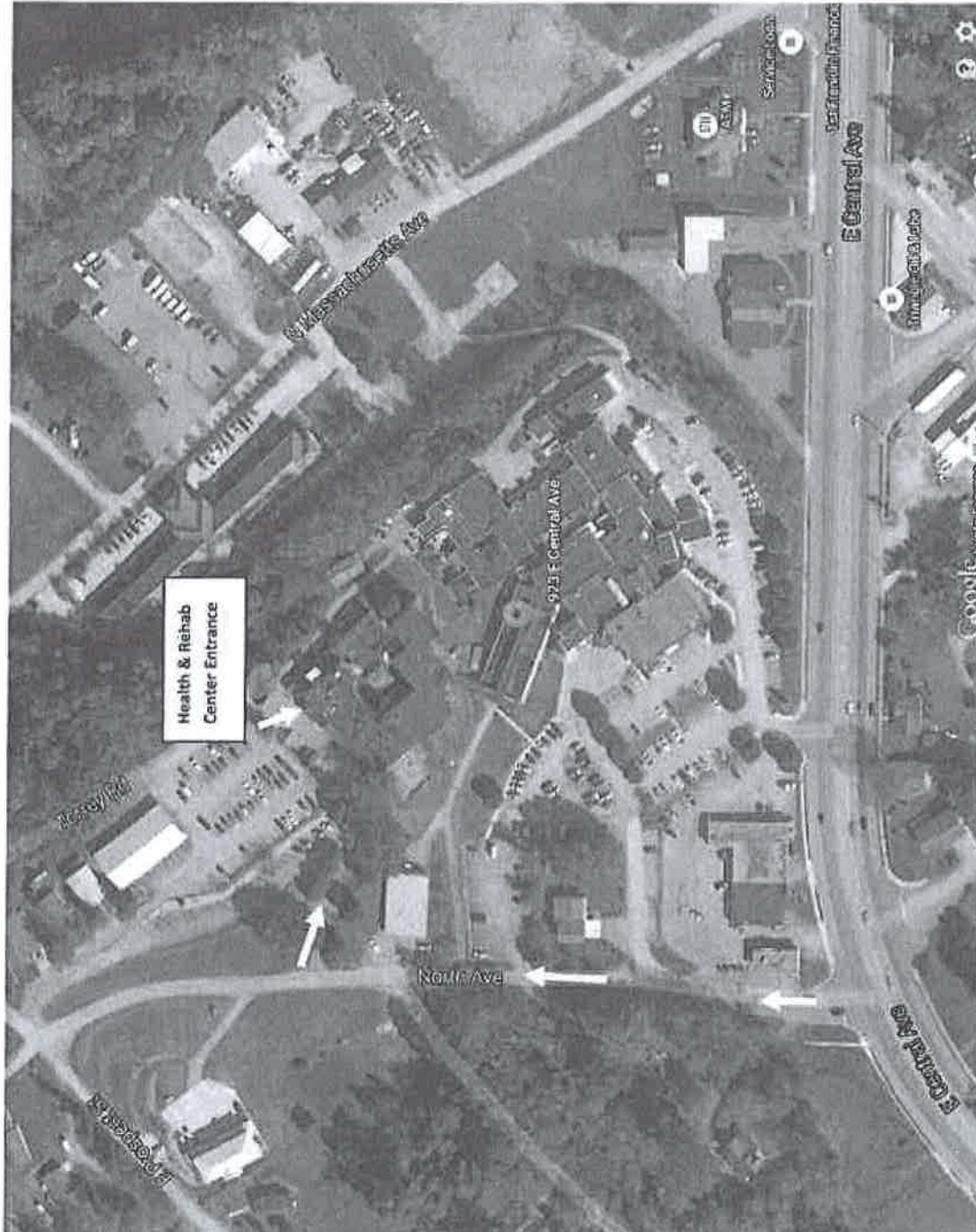
The submitted plot plan is the only one that exists, to the best of the applicant's knowledge. Attached following this response is a Google Map, labeled with the requested information.

SUPPLEMENTAL #1

May 26, 2015

1:55 am

MAY 26 2015 1:57



May 26, 2015

1:55 am

5. Section C, Need, Item 4 (Service Area)

Please revise the table to include more recent population data from the Department of Health.

An updated Population and Demographics table is attached following this response.

**May 26, 2015
1:55 am**

6/1/2015 1:55:54 PM

POPULATION AND DEMOGRAPHICS OF SERVICE AREA		
Variable	Campbell County	State of Tennessee
Current Year (2015), Age 65+	7,793	1,012,937
Projected Year (2019), Age 65+*	8,241	1,134,565
Age 65+, % Change	5.7%	12.0%
Age 65+, % Total (CY)	18.7%	15.2%
Age 65+, % Total (PY)	19.3%	16.5%
CY, Total Population (2015)	41,783	6,649,438
PY, Total Population (2019)	42,792	6,894,997
Total Pop. % Change	2.4%	3.7%
TennCare Enrollees (April, 2015)	12,827	1,399,007
TennCare Enrollees as a % of Total Population(CY)	30.7%	21.0%
Median Age (2010)	42	38
Median Household Income ('09-'13)	\$31,943	\$44,298
Population % Below Poverty Level ('09-'13)	23.8%	17.6

Sources: Population, <http://health.state.tn.us/statistics/CertNeed.shtml>;
TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles
website; Income and poverty level, Census Bureau QuickFacts.

May 26, 2015**1:55 am****6. Section C, Need, Item 5**

The utilization table in the attachment is noted. It appears that utilization during the period declined for all 3 nursing homes in Campbell County. Are there other factors the applicant shared with these facilities that may have contributed to the decline during the period such as increased home health utilization by residents of the county, lack of available beds for Medicare patients requiring skilled services, etc? Please clarify.

In 2013, the effects of the recent Tennessee Medicaid changes began to be felt. The Pre Admission Evaluation (PAE) process for Tennessee became more stringent thus fewer residents met the clinical criteria established. More hospital patients were discharged home with home health or were transferred to assisted living facilities.

Please complete the charts below to help facilitate comparison of the facilities as it pertains to utilization by level of care and accommodations available at each facility.

The requested tables are reflected below.

Service Area Nursing Home Utilization –Most Recent JAR

Facility	Licensed Beds	SNF Beds-Medicare	SNF Beds-Medicare/Medicaid	Other Lic. Beds	SNF Medicare ADC	Level 2 Medicaid ADC	NF ADC	Total ADC
Beech Tree Manor	110	0	110	0	14.6	1.0	78.6	88.2
Cumberland Village	182	0	182	0	37.8	5.9	119.7	163.4
Tennova LaFollette	98	0	98	0	11.2	5.4	68.2	85.3
Total	390	0	390	0	63.6	12.3	266.5	336.9

Service Area Patient Accommodation Mix-Most Recent JAR Period

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
Beech Tree Manor	110	6	104	0	0
Cumberland Village	182	14	168	0	0
Tennova LaFollette	98	6	92	0	0
Service Area Totals	390	26	364	0	0

May 26, 2015

1:55 am



CHS

May 5, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
500 Deaderick Street, 9th Floor
Nashville, TN 37243

Re: Funding Support for Certificate of Need Application LaFollette Medical Center

Dear Ms. Hill:

CHS / Community Health Systems, Inc., the parent of HMA Campbell County, LLC, d/b/a LaFollette Medical Center, the entity which operates LaFollette Medical Center, has internal funds available for the commitment to the following project, with an approximate project cost of \$2,383,663.00. CHS/Community Health Systems, Inc. had cash flow from operating activities of \$1,615 million in its fiscal year ending 12/31/14, and currently maintains a \$1,000 million revolving credit facility with excess of \$917 million as of 12/31/14 available to fund future cash needs. CHS / Community Health Systems, Inc. is committed to this project and will advance funds as necessary to complete this project.

Should you need anything further, I can be reached at 615-465-7015.

Regards,

Lee C. Fleck
Director, Corporate Finance

COMMUNITY
HEALTH
SYSTEMS

4000 Meridian Boulevard

Franklin, TN 37067

Tel: (615) 465-7000

P.O. Box 689020

Franklin, TN 37068-9020

May 26, 2015**1:55 am**

MAY 26 2015

7. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Your response is noted. Please provide a brief description of the rationale for including amounts for contingency costs (\$162,145), abatement (\$85,000), and capital interest (\$72,598).

The applicant believes these are legitimate costs of the project. The contingency is normally included in a construction/renovation budget to cover unexpected cost overruns; abatement expense is for the removal of Mastic adhesive which included asbestos; capital interest is an amount allocated from the home office to a project of this type, and is considered a legitimate cost of the project.

8. Section C, Economic Feasibility, Item 2

The May 11, 2015 letter from the applicant's Chief Financial Officer is noted. However, the letter appears to be in error based on references to a project requiring \$8,865,000 funding support for operating room renovations at the Regional Hospital of Jackson. Please provide a corrected letter.

The letter submitted was for a different project also affiliated with CHS, filed on the same day.

A copy of the correct funding letter is attached following this response.

May 26, 2015**1:55 am**

It is noted the applicant plans to fund the proposed \$3,202,188 project with cash reserves. Given Community Health Systems funding support from cash reserves for other recently approved CON projects in Knoxville (Tennova Physician's Regional Hospital and Nursing Home projects), please discuss the availability of cash to fund operations of Community Health Systems within the \$509,000,000 cash and cash equivalents noted in the balance Sheet as of December 31, 2014.

CHS/Community Health Systems, Inc. plans to use cash on hand to fund the costs of the project and notes that the costs would be incurred over the life of the project and therefore excess cash flow from operations will be available to replenish cash on hand. In the event that cash on hand does not cover the entire cost of the project, CHS/Community Health Systems currently has \$222 million of cash and another \$855 million of borrowing capacity under its \$1.0 billion revolving line of credit. The revolver is liquid in that funds can be made available on the same day, if necessary.

Please discuss how the recent Medicare settlement of \$98,000,000 to resolve allegations CHS overbilled Medicare and Medicaid will impact the financial viability and cash flow of CHS and the funding of this project.

The settlement payment has already been fully funded and will have no impact on the ability to provide capital resources for the project.

It is reported Community Health Services recently was the victim in the cyber theft of personal patient data belonging to 4.5 million patients. Please clarify if this theft will have a material adverse effect on CHS financial results.

This incident will have no material financial impact.

9. Section C, Economic Feasibility, Item 3

Please compare the construction cost of the project to the HSDA construction cost range for similar facilities.

Nursing Home Renovation

This project cost per square foot:	\$90.46
Median approved cost (2011-2013):	\$55.00
3 rd Quartile approved cost (2011-2013):	\$101.00

Factors resulting in this project exceeding the medial approved cost include inflation and the relatively small square footage being renovated in this project.

10. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

Please provide a Historical Data Chart for the 98 bed nursing home.

May 26, 2015**1:55 am**

From a financial operations standpoint, the Health and Rehab Center operates as a department of the hospital. It is not a separate profit center, and accordingly, separate financial reports are not prepared and maintained. The applicant can state generally, however, the Health and Rehab Center has been profitable since being acquired by the current owner. Its margin runs generally in the 40% range, including direct costs only, and not taking into account indirect costs.

With respect to the hospital, please explain why there are no expenses pertaining to allocations of current portions of long term debt owed by CHS, given the entries for same in the Balance Sheet for the parent company.

In accordance with accounting principles, all such long term debt is rolled up into the consolidated balance sheet and is not reflected on the individual hospital's books.

Significant decline in management fees of the hospital is apparent in the chart. What accounts for the \$8 million decline from fiscal year 2012?

LaFollette's former parent company, Health Management Associates, was acquired by CHS/Community Health Systems, Inc. in January, 2013. As a result of that change, certain methods of accounting have changed. While management services are provided by Community Health Systems Professional Services Corporation, management fees are accounted for through a different methodology than the Health Management approach and encompasses a different set of services.

Despite growth inpatient admissions from the 2012 to 2014 fiscal period, there appears to be a significant decline of approximately \$7 million in Net Operating Income. Please briefly describe what accounts for this decline in the hospital's financial performance.

The 2012 financial data, which was under prior ownership, did not include regional allocation of expenses from the parent company, which made the bottom line appear higher. In 2013, these regional allocations were allocated to the facility for a portion of the year. In 2014, the regional allocations are on the books for the entire year.

11. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please specify the utilization data (unit of measure).

The unit of measure is patient days. A revised Projected Data Chart is attached following this response.

May 26, 2015

1:55 am

PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in _____.

	Year 1	Year 2
A. Utilization/Occupancy Data (Patient Days).	31,654	31,971
B. Revenue from Services to Patients		
1. Inpatient Services	9,719,249	\$ 9,816,441.00
2. Outpatient Services	\$	\$
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify) _____	\$	\$
Gross Operating Revenue	\$ 9,719,249.00	\$ 9,816,441.00
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 2,975,800.00	\$ 3,005,558.00
2. Provisions for Charity Care	\$	\$
3. Provisions for Bad Debt	\$ 202,303.00	\$
Total Deductions	\$ 3,178,103.00	\$ 3,005,558.00
NET OPERATING REVENUE	\$ 6,541,146.00	\$ 6,810,883.00
D. Operating Expenses		
1. Salaries and Wages	\$ 2,979,551.00	\$ 3,009,347.00
2. Physicians' Salaries and Wages		
3. Supplies	\$ 650,651.00	\$ 657,158.00
4. Taxes		
5. Depreciation		
6. Rent	\$ 6,803.00	\$ 6,803.00
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 53,498.00	\$ 53,619.00
Specify: <u>purchased services, maintenance, etc.</u>		
Total Operating Expenses	\$ 3,690,503.00	\$ 3,726,927.00
E. Other Revenue (Expenses)--Net		
Specify: _____		
NET OPERATING INCOME (LOSS)	\$ 2,850,643.00	\$ 3,083,956.00
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ 2,850,643.00	\$ 3,083,956.00
LESS CAPITAL EXPENDITURES	\$ -	\$ -
NOI LESS CAPITAL EXPENDITURES	\$ 2,850,643.00	\$ 3,083,956.00

May 26, 2015**1:55 am**

Given that the applicant is related to the hospital on the 13 acre campus through ownership by CHS, why are there no management fees in the Projected Data Chart for the nursing home? If needed, please include management fees in the Projected Data Chart for the facility and resubmit.

Because the Health and Rehab Center is financially operated as a department of the hospital, the management fees are assessed to the hospital as a whole. The applicant knows of no accurate methodology to allocate a portion of the management fees to the Health & Rehab Center.

12. Section C, Economic Feasibility, Item 9

The response confirming participation in state and federal programs is noted. Please explain the factors that appear to be driving the rather high Medicare skilled mix noted in the response (59%) in light of the high number of Campbell County residents enrolled in TennCare and the impact to nursing homes as a result of the Linton Rule. Please also complete the table below to help illustrate the payor mix of the facility in Year 1 compared to current status.

The payor mix reflected in the application was for the entire hospital, not just the nursing home. A Replacement Page 25 is attached following this response. The estimated payor mix for the nursing home is reflected below.

Payor Source	2014 Gross Revenue	Year 1 Gross Revenue	Year 1 as a % of Total Gross Revenue
Medicare	825,164	833,416	8.49%
TennCare	7,795,810	7,873,767	80.21%
Managed Care	424,731	428,978	4.37%
Commercial	0	0	0
Self-Pay	510,261	515,363	5.25%
Other	163,283	164,916	1.68%
Total	9,719,249	9,816,441	

May 26, 2015**1:55 am**

Tennova LaFollette Health and Rehab Center is already financially viable. And as reflected on the Projected Data Chart, the facility will likewise be financially viable following implementation of the project.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

The applicant participates in both Medicare and TennCare. The projected payor mix and anticipated net revenues in Year 1 from each program are reflected below:

Medicare:	8.5%	\$833,416
TennCare	80%	\$7,873,767

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility-10.**

The owner, a subsidiary of Community Health Systems, Inc. does not maintain separate financials. A copy of the Consolidated Income Statement and Balance Sheet is attached as Attachment C, II, Economic Feasibility 10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**

a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The only option to the cosmetic renovation was to do nothing. This option was rejected as not being in the best interest of the facility and the patients.

b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

MAY 26 15 01:55

13. Section C, Contribution to Orderly Development, Item 3

Please provide the current direct patient care staffing level of the 98 bed dually certified facility.

As of the end of 1st Quarter, 2015, the direct patient care staffing levels are as follows:

Total Nurse to patient:	1.57:1
CNA to patient:	2.22:1
Overall direct care staff to patient:	3.79:1

Staffing levels include a minimum of 2.0 hours of direct care to each resident every day, including 0.4 hours of licensed nursing personnel time.

14. Project Updates for Other Approved CONs of Applicant or Parent Company

Please provide brief updates for the outstanding, unimplemented CON projects listed below that Community Health Systems has ownership interests in. *Note: approved Project Cost is shown in parenthesis.*

Metro Knoxville HMA, LLC d/b/a Tennova Healthcare, CN1406-033A (\$6,454,796)

This project was approved November 19, 2015 and is for the purpose of relocating skilled nursing home beds to a replacement hospital facility (approved in CN1408-034A). The project is currently on schedule, according to the development schedule submitted in the CON application.

Tennova Physician's Regional Medical Center, CN1408-034A (\$303,545,204)

This project was approved November 19, 2015 and is for the purpose of building a replacement hospital for Physicians Regional Medical Center. The project is on schedule, according to the development schedule submitted in the CON application.

Lakeway Regional Hospital, CN1405-013A, (\$33,000)

This project is complete. Our records indicate a Final Project Report was filed November 17, 2014.

Dyersburg Regional Medical Center, CN1403-007A, (\$367,763)

This project is proceeding on schedule in approximate harmony with the project Completion Forecast Chart. An Annual Progress Report will be submitted at the appropriate time.

Metro Knoxville, HMA, LLC d/b/a Tennova Healthcare-North Knoxville Medical Center, CN1211-056A, (\$4,377,421)

CN1211-056A was for the initiation of diagnostic cardiac catheterization services at North Knoxville Medical Center. Construction is complete, equipment has been installed, and the State inspection is underway now. We anticipate initiating treatment of patients by June 15, 2015.

May 26, 2015**1:55 am**

HMA Fentress County Hospital, LLC d/b/a Jamestown Regional Medical Center, CN1211-055, (\$30,677)

Per the hospital CEO, swing bed services have not yet been initiated due to difficulties in recruiting and retaining a qualified contract therapy company to provide therapy services to these patients, since we have been unsuccessful in recruiting employed therapists to support the service. It is projected that the service will be initiated by October 1, 2015.

Lebanon HMA, d/b/a University Medical Center, CN1210-051AE, (\$4,844,035)

In February 2013, following CON approval, University Medical Center finalized its asset purchase of the Radiation Oncology Center from Southeast Cancer Network, Inc. University Medical Center now operates the Radiation Oncology Center under its license. Although an equipment upgrade was included in the CON application projected costs, new equipment has not yet been purchased. University Medical Center is evaluating the potential equipment upgrade as well as continuing discussions regarding a potential relationship with another well-established oncology program.

North Knoxville Medical Center f/k/a Mercy Medical Center-North, CN1106-019AE, (\$4,694,671)

CN1106-019AE is for the addition of a second linear accelerator to North Knoxville Medical Center. The project is in process, with equipment ordered and construction quotes being finalized.

15. Proof of Publication

Documentation of publication of the Letter of Intent on May 8, 2015 in the Knoxville Sentinel, a newspaper of general circulation in the applicant's service area, was missing from the application. Please provide same in the form of either a copy from the newspaper with mast intact or a publisher's affidavit.

A Publishers Affidavit is attached following this response.

May 26, 2015

1:55 am

To: TENNOVA HEALTHCARE

(Advertising) NOTIFICATION OF INTENT TO APPLY FOR (Ref No: 532471)

P.O.#:

PUBLISHER'S AFFIDAVIT

State of Tennessee }

S.S

County of Knox }

Before me, the undersigned, a Notary Public in and for said county, this day personally came Louise Watkins first duly sworn, according to law, says that he/she is a duly authorized representative of *The Knoxville News-Sentinel*, a daily newspaper published at Knoxville, in said county and state, and that the advertisement of:

(The Above-Referenced)

of which the annexed is a copy, was published in said paper on the following date(s):

05/10/15 Sun

and that the statement of account herewith is correct to the best of his/her knowledge, information, and belief.

Louise Watkins

Subscribed and sworn to before me this 15th day of May 20 15

Karan Dixon
Notary Public

MY COMMISSION EXPIRES:
June 28, 2017

My commission expires _____ 20 _____



May 26, 2015

1:55 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF CAMPBELL

NAME OF FACILITY: TENNOVA LAFOLLETTE HEALTH & REHAB CENTER

I, R MARK CAIN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 21st day of May, 2015, witness my hand at office in the County of Campbell, State of Tennessee.



NOTARY PUBLIC

My commission expires 9/13/15.

HF-0043

Revised 7/02





State of Tennessee
Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

May 18, 2015

Jerry Taylor, Attorney
Burr & Forman, LLP
501 Union Street, Suite 2300
Nashville, TN 37219

RE: Certificate of Need Application CN1505-021
Tennova LaFollette Health & Rehab

Dear Mr. Taylor:

This will acknowledge our May 15, 2015 receipt of your application for a Certificate of Need for the renovation of Tennova LaFollette Health and Rehab Center, a 98 licensed bed freestanding nursing home located at 200 Torrey Road in LaFollette (Campbell County), Tennessee at a construction cost in excess of \$2 million dollars. The project will focus on improvements to nursing stations and cosmetic upgrades with no change in services or licensed bed complement of the facility.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 PM, Tuesday, May 26, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Applicant Profile, Item 4

The ownership by Campbell County HMA, LLC, a wholly owned indirect subsidiary of Community Health Systems (CHS), is noted. Please provide an organizational chart showing the relationship between the parties. In your response, please also provide the names, addresses and # licensed beds of nursing homes owned and/or operated by CHS in Tennessee.

2. Applicant Profile, Item 6, Legal Interest in Site

The assignment in 2011 of the original April 2000 lease agreement from Mercy Health Partners, Inc. to Campbell County HMA, LLC is noted. It is unclear how the \$6,803 annual lease amount in the Projected Data Chart is consistent with the amount and terms of the schedule on pages 12 -13 of the lease document. Please clarify such that the applicant's lease obligations can be fully appreciated.

3. Section B, Project Description, Item 1 and Section B, Project Description, Items II.A and II.B

Item I - given the lease assignment documentation, it appears that ownership changed in 2011. Please provide an overview with timeline of changes from original to current ownership.

Item II.A- Please provide a description with timeline of any prior key physical plant projects since 98 bed nursing facility opened.

Of The CHS nursing homes owned or operated by CHS in TN, what major construction or renovation projects has CMS sponsored in amounts over \$2 million?

The applicant describes 2 key focus areas – cosmetic nature of project and changes to largest nursing station. However, review of the floor plans identified what appears to be work that will include changes to therapy areas on the 1st floor, patient rooms on floors 2 and 3 floors, and patient dining/dayroom areas on the 3rd floor. Please provide brief highlights of upgrades and related changes to these patient areas of the 98 bed facility.

Item II.B – with respect to the types of beds, review of the Floor Plans revealed that all of the patient rooms on the 2nd and 3rd floors appear to be private patient rooms with access to private toilets. However, only a few are labeled as “Private Patient Room”. Please explain the difference. In your response, please complete the table below to help further identify the differences in the types of patient rooms available at the facility.

Type Room	# Rooms	# Licensed Beds	Average Square Feet/Room	Key Upgrades in this Project
Private				
Semi-Private				
Other				
Total				

4. Section B, Project Description, Item III (Plot Plan)

The plot plan included in the application is too small and illegible to clearly identify locations of the applicant nursing home and the hospital and medical office building on the 13 acre campus, with primary facility entrances for these buildings. Please expand by revising the drawing and submit as a replacement page for the application.

5. Section C, Need, Item 4 (Service Area)

Please revise the table to include more recent population data from the Department of Health.

6. Section C, Need, Item 5

The utilization table in the attachment is noted. It appears that utilization during the period declined for all 3 nursing homes in Campbell County. Are there other factors the applicant shared with these facilities that may have contributed to the decline during the period such as increased home health utilization by residents of the county, lack of available beds for Medicare patients requiring skilled services, etc? Please clarify.

Please complete the charts below to help facilitate comparison of the facilities as it pertains to utilization by level of care and accommodations available at each facility.

Service Area Nursing Home Utilization -Most Recent JAR

Facility	Licensed Beds	SNF Beds- Medicare	SNF Beds- Medicare/ Medicaid	Other Lic. Beds	SNF Medicare ADC	Level 2 Medicaid ADC	NF ADC	Total ADC
Total								

Service Area Patient Accommodation Mix-Most Recent JAR Period

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
Service Area Totals					

7. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Your response is noted. Please provide a brief description of the rationale for including amounts for contingency costs (\$162,145), abatement (\$85,000), and capital interest (\$72,598).

8. Section C, Economic Feasibility, Item 2

The May 11, 2015 letter from the applicant's Chief Financial Officer is noted. However, the letter appears to be in error based on references to a project requiring \$8,865,000 funding support for operating room renovations at the Regional Hospital of Jackson. Please provide a corrected letter.

It is noted the applicant plans to fund the proposed \$3,202,188 project with cash reserves. Given Community Health Systems funding support from cash reserves for other recently approved CON projects in Knoxville (Tennova Physician's Regional Hospital and Nursing Home projects), please discuss the availability of cash to fund operations of Community Health Systems within the \$509,000,000 cash and cash equivalents noted in the balance Sheet as of December 31, 2014.

Please discuss how the recent Medicare settlement of \$98,000,000 to resolve allegations CHS overbilled Medicare and Medicaid will impact the financial viability and cash flow of CHS and the funding of this project.

It is reported Community Health Services recently was the victim in the cyber theft of personal patient data belonging to 4.5 million patients. Please clarify if this theft will have a material adverse effect on CHS financial results.

9. Section C, Economic Feasibility, Item 3

Please compare the construction cost of the project to the HSDA construction cost range for similar facilities.

10. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

Please provide a Historical Data Chart for the 98 bed nursing home.

With respect to the hospital, please explain why there are no expenses pertaining to allocations of current portions of long term debt owed by CHS, given the entries for same in the Balance Sheet for the parent company.

Significant decline in management fees of the hospital is apparent in the chart. What accounts for the \$8 million decline from fiscal year 2012?

Despite growth inpatient admissions from the 2012 to 2014 fiscal period, there appears to be a significant decline of approximately \$7 million in Net Operating Income. Please briefly describe what accounts for this decline in the hospital's financial performance.

11. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please specify the utilization data (unit of measure).

Given that the applicant is related to the hospital on the 13 acre campus through ownership by CHS, why are there no management fees in the Projected Data Chart for the nursing home? If needed, please include management fees in the Projected Data Chart for the facility and resubmit.

12. Section C, Economic Feasibility, Item 9

The response confirming participation in state and federal programs is noted. Please explain the factors that appear to be driving the rather high Medicare skilled mix noted in the response (59%) in light of the high number of Campbell County residents enrolled in TennCare and the impact to nursing homes as a result of the Linton Rule. Please also complete the table below to help illustrate the payor mix of the facility in Year 1 compared to current status.

Payor Source	2014 Gross Revenue	Year 1 Gross Revenue	Year 1 as a % of Total Gross Revenue
Medicare			
TennCare			
Managed Care			
Commercial			
Self-Pay			
Other			
Total			

13. Section C, Contribution to Orderly Development, Item 3

Please provide the current direct patient care staffing level of the 98 bed dually certified facility.

14. Project Updates for Other Approved CONs of Applicant or Parent Company

Please provide brief updates for the outstanding, unimplemented CON projects listed below that Community Health Systems has ownership interests in. *Note: approved Project Cost is shown in parenthesis.*

Metro Knoxville HMA, LLC d/b/a Tennova Healthcare, CN1406-033A (\$6,454,796)

Tennova Physician's Regional Medical Center, CN1408-034A (\$303,545,204)

Lakeway Regional Hospital, CN1405-013A, (\$33,000)

Dyersburg Regional Medical Center, CN1403-007A, (\$367,763)

Metro Knoxville, HMA, LLC d/b/a Tennova Healthcare-North Knoxville Medical Center, CN1211-056A, (\$4,377,421)

HMA Fentress County Hospital, LLC d/b/a Jamestown Regional Medical Center, CN1211-055, (\$30,677)

Lebanon HMA, d/b/a University Medical Center, CN1210-051AE, (\$4,844,035)

North Knoxville Medical Center f/k/a Mercy Medical Center-North, CN1106-019AE, (\$4,694,671)

15. Proof of Publication

Documentation of publication of the Letter of Intent on May 8, 2015 in the Knoxville Sentinel, a newspaper of general circulation in the applicant's service area, was missing from the application. Please provide same in the form of either a copy from the newspaper with mast intact or a publisher's affidavit.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is July 20, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Jerry Taylor, Attorney

May 18, 2015

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Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Grimm". The signature is stylized with a large "J" and a long, sweeping underline.

Jeff Grimm

Health Services Development Examiner

PJG

Enclosure

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF _____

NAME OF FACILITY: _____

I, _____, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the _____ day of _____, 20____,
witness my hand at office in the County of _____, State of Tennessee.

NOTARY PUBLIC

My commission expires _____, _____.

HF-0043

Revised 7/02



State of Tennessee

Health Services and Development Agency

Andrew Jackson State Office Building, 9th Floor

502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

May 28, 2015

Jerry Taylor, Attorney
Burr & Forman, LLP
501 Union Street, Suite 2300
Nashville, TN 37219

RE: Certificate of Need Application CN1505-021
Tennova LaFollette Health & Rehab

Dear Mr. Taylor:

This will acknowledge our May 26, 2015 receipt of your 1st supplemental response pertaining to your application for a Certificate of Need for the renovation of Tennova LaFollette Health and Rehab Center, a 98 licensed bed freestanding nursing home located at 200 Torrey Road in LaFollette (Campbell County), Tennessee at a construction cost in excess of \$2 million dollars. The project will focus on improvements to nursing stations and cosmetic upgrades with no change in services or licensed bed complement of the facility.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 2:00 PM, Friday, May 29, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section B, Project Description, Item III (Plot Plan)

The Google Map containing a satellite image of the site is noted. Please note the following questions:

(a) Please explain what the arrow to the far left of the image is pointing to.

(b) Since no other plot plan drawing is available, please trace or outline the nursing home and hospital buildings in the satellite image using a highlighter with contrasting color. Please also add an arrow showing the main entrance of the hospital.

2. Section C, Need, Item 5

The utilization table provided in the response to highlight utilization by level of care classifications is noted. Of the 3 existing facilities, review of the Final

published 2013 JAR revealed that Beech Tree Manor reported a Medicare SNF average daily census (ADC) of approximately 8.6 patients per day in lieu of the 14.6 patients per day shown in the table. As a result, it appears that the combined average Medicare SNF utilization may be lower than shown for 2013. Please review the provider 2013 JAR to confirm this finding and submit a revised table.

The response with table labeled "Service Area Patient Accommodation Mix-Most Recent JAR Period" is noted. It appears that private beds account fall in a range of 5% to 8% of the total licensed bed complement in Campbell County. Given the applicant's declining bed occupancy between 2011-2013 was any consideration given to increasing the mix of private rooms as a strategy to help position itself as the preferred choice in the market and improve bed occupancy going forward? Please clarify.

3. Section C, Economic Feasibility, Item 2

The response indicates that CHS has approximately \$222 million of cash to fund operations of Community Health Systems within the \$509 million cash and cash equivalents noted in the Consolidated Balance Sheet as of December 31, 2014. The response also states that another \$855 million of borrowing capacity is available from a \$10 billion revolving line of credit. Where is the entry for the \$10 billion reflected in the Consolidated Balance Sheet for the applicant's parent company?

4. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

With respect to the questions about management fees and Net Operating Income of approximately \$8 million and \$7 million, respectively, where are these amounts included in the copy of the parent company's "Consolidated Statements of Income" in the application attachment?

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is July 20, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

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Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,



Jeff Grimm
Health Services Development Examiner

PJG

Enclosure

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF _____

NAME OF FACILITY: _____

I, _____, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the _____ day of _____, 20____,
witness my hand at office in the County of _____, State of Tennessee.

NOTARY PUBLIC

My commission expires _____, _____.

HF-0043

Revised 7/02